2006-07 budget
Northern Territory Economy
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Overview

The small size of the Northern Territory economy means that large, typically resource-based projects can have a substantial impact on investment and income streams, resulting in volatile growth patterns. The structure of the economy reflects significant natural resources, the Territory’s importance in national defence and the relatively large tourism and public sectors. The significance of the mining and tourism industries makes the Territory economy particularly reliant on exports and susceptible to developments in key export markets and the world economy generally.

The Economy in 2005-06

Onshore Economy
The onshore economy continued to strengthen in 2005-06, boosted by strong income growth associated with work for major projects, notably construction of the liquefied natural gas (LNG) plant at Wickham Point and work on the Alcan G3 refinery expansion. Stronger population growth supported increased residential construction activity and the tourism sector continued to rebound, with strong growth in international visitor arrivals.

Gross State Product
Following an increase of 3.6 per cent in 2004-05, Territory gross state product (GSP) increased by an estimated 6.7 per cent in 2005-06. The major contributor to growth was strong onshore activity, with work on major projects leading to strong investment and state final demand (SFD) growth. SFD increased by an estimated 6.3 per cent, with consumption increasing by 4.2 per cent and investment by 11.8 per cent.

Population
Population growth strengthened to 1.1 per cent in 2004, and further to an estimated 1.7 per cent in 2005, with net interstate migration inflows for the first time since 1997. The increase in population reflects the improving prospects for the Territory economy and employment, particularly in construction and tourism.

Employment
The Territory labour market continued to strengthen in 2005-06 as buoyant onshore economic conditions prevailed. Although there is no quantitative measure of Territory jobs, related indicators all point to strong employment growth and a shortage of skilled labour. Resident employment increased by an estimated 2.1 per cent in 2005-06, while overall jobs growth, including the high number of fly in fly out workers for the Alcan G3 refinery expansion and the LNG plant, was probably much stronger.

Prices
Darwin’s Consumer Price Index (CPI) increased by 2.6 per cent in the year to December 2005, compared to a 2.7 per cent increase nationally. This is in sharp contrast to the previous five years where year on year CPI inflation in the Territory had been, on average, 0.6 percentage points below the national level, due in part to the weaker local economy. The convergence reflects solid growth in the Territory economy and a more pronounced labour skills shortage than nationally.

Wages
Solid wages growth in 2005, both in the Territory and nationally, reflects tight labour market conditions and skilled labour shortages prevalent throughout the year. In the year to December 2005, the Territory Labour Price Index (LPI) increased by 4.5 per cent, compared to 4.1 per cent nationally.
Outlook for 2006-07 and Beyond

Growth is forecast to remain strong, but is expected to moderate to 5.8 per cent in 2006-07. Growth will be predominantly driven by production of LNG for export. Increased alumina production from the Alcan G3 refinery expansion and a full year of production at the new Bootu Creek mine near Tennant Creek will also boost output.

The strong growth in exports will act to largely offset the significant decline in business investment resulting from the completion of work on the Alcan G3 refinery expansion and the LNG plant. These projects were substantial, and investment on this scale again is unlikely, at least in the short term. Continued growth will be supported by the positive employment and population outlook, linked to the strengthening outlook for the tourism industry, residential construction and major employment-creating projects such as the Darwin Waterfront Development and the condensate processing facility.

State Final Demand

Territory SFD is forecast to decrease by 9.1 per cent in 2006-07, due to the significant decline in total investment expenditure as major projects are completed. Engineering construction activity in the Territory will be substantially lower in 2006-07, with the Alcan G3 refinery expansion due to be completed in October 2006 and construction work on the LNG plant already completed. However, engineering work for the Darwin Waterfront Development and new projects such as the development of the Blacktip gas field and the condensate processing facility will ensure that engineering activity in the Territory remains at levels well above historical averages.

Population

The positive economic outlook, employment opportunities and continuing net migration inflows underpin forecast population growth of 1.5 and 1.2 per cent in 2006 and 2007 respectively.

Employment

Resident employment is forecast to increase by 2.3 per cent in 2006-07, supported by construction work on the Darwin Waterfront Development, continuing high levels of residential construction and the continuing rebound in international visitor numbers. The increase in resident employment will be partially offset by an expected fall in fly in fly out employment associated with the Alcan G3 refinery expansion and construction of the LNG plant.

Prices and Wages

Inflation in the Territory is expected to continue to track closely to the national rate, and remain at the higher end of the Reserve Bank’s target band of 2 to 3 per cent in the short to medium term. Darwin CPI growth of 2.9 per cent and 2.6 per cent is forecast for 2006 and 2007 respectively. Wages growth is expected to moderate in 2006 and 2007, but remain high as economic activity remains strong and skilled labour shortages persist.

Summary of Territory Economic Indicators (year on year percentage change)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GSP</td>
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<td>0.1</td>
<td>0.2</td>
<td>3.6</td>
<td>6.7</td>
<td>5.8</td>
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<tr>
<td>Employment</td>
<td>5.4</td>
<td>-0.1</td>
<td>-2.2</td>
<td>-2.0</td>
<td>2.1</td>
<td>2.3</td>
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<tr>
<td>Population*</td>
<td>0.9</td>
<td>0.1</td>
<td>0.3</td>
<td>1.1</td>
<td>1.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Darwin CPI*</td>
<td>3.6</td>
<td>2.2</td>
<td>2.1</td>
<td>1.6</td>
<td>2.6</td>
<td>2.9</td>
</tr>
</tbody>
</table>

* As at December, annual percentage change
# As at December, year on year percentage change
Looking Ahead

The economic base of the Territory is expected to expand significantly over the next decade:

• The completion of the Adelaide to Darwin rail link in 2004 was a milestone in the development of the Territory’s transport infrastructure. It provides significant opportunities for regional development, particularly as a cost-effective method for the transport of bulk commodities from mining production, and better access to southern markets for local manufacturers.

• A strong world economy and continuation of the current resources boom will encourage further substantial growth in mining-related activity. Existing projects are expected to increase production, while the prospect of new projects coming on line is supported by an increase in exploration activity in recent years.

• The Territory remains on the verge of a major development phase for gas reserves and for gas-based manufacturing. Should efforts to bring more Timor Sea gas onshore prove successful, it could be used as feedstock for further production of LNG or other gas-based products such as methanol, ethane, ammonia/urea fertilisers and various petrochemicals. It also has the potential to provide cheap and efficient energy for the manufacture of alumina, magnesium and other ore concentrates, and for the production of electricity that could advance local value-adding opportunities.

• The medium term outlook for tourism, which is an important source of local employment, is positive. The recent steady increase in visitor numbers is expected to continue, and will be supported by major tourism-related projects, including the Darwin Convention and Exhibition Centre and a planned low-rise tropical resort at Little Mindil.
Chapter 1  

Structure of the Economy

Key Points

- The Northern Territory economy is markedly different to other Australian jurisdictions. It has an abundance of natural resources, a large public sector and a significant defence presence.
- The Territory economy is highly influenced by global economic conditions due to its relatively small size and commodity-focused base.
- The importance of mining and mining-related production will grow as production reaches full capacity following the completion of major infrastructure projects.
- A relatively large mineral and energy sector means that the Territory economy is capable of high growth as resources are developed.

At about $9.7 billion, Territory gross state product (GSP) accounts for approximately 1.1 per cent of national gross domestic product (GDP). Key activities in the Territory economy include mining, defence, alumina production and government services.

Notable differences between the Territory and the national economy include a greater contribution from mining, tourism, construction and ownership of dwellings and a comparatively small contribution from manufacturing and business services (Chart 1.1).

International exports of goods and services from the Territory are an important source of demand, averaging around 33 per cent of Territory GSP for most of the past decade compared to 18 per cent nationally.

![Chart 1.1: Industry Proportions of GSP/GDP, 2000-01 to 2004-05](image)

Source: ABS Cat. No. 5220.0

Industry Structure

Mining is the most significant Northern Territory industry, accounting for about 19 per cent of GSP, almost four times the national figure (Table 1.1). This figure is heavily influenced by activity associated with the Laminaria-Corallina oilfields in the Timor Sea, production from which is attributed to the Territory.
A relatively high proportion of GSP is attributed to government administration and defence services. This reflects the diseconomies of providing public services to a small and dispersed population and the high needs of the Territory’s relatively large Indigenous population. The Territory also has a very high defence presence compared to other jurisdictions.

Other notable differences between the Territory economy and the national economy are the greater proportion of tourism-related output (accommodation, cafes and restaurants, and cultural and recreational services) in the Territory and the higher proportion of construction output compared to all other jurisdictions. The contribution of the manufacturing sector is also significantly lower in the Territory than in most other jurisdictions.

The proportion of the Territory economic output attributed to service industries is the second lowest in Australia at 57 per cent. The proportion of the national economic output attributed to service industries is 63 per cent (Table 1.1). However, in employment terms, the Territory has a high proportion of people employed in the services sector, representing 91 per cent of employment compared to 83 per cent nationally.

### Table 1.1: Industry Proportions of GSP/GDP, 2004-05

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>NSW</th>
<th>Vic</th>
<th>Qld</th>
<th>SA</th>
<th>WA</th>
<th>Tas</th>
<th>NT</th>
<th>ACT</th>
<th>Aus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>1.6</td>
<td>2.9</td>
<td>3.8</td>
<td>5.4</td>
<td>4.1</td>
<td>6.2</td>
<td>2.8</td>
<td>0.1</td>
<td>2.9</td>
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<tr>
<td>Mining</td>
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<td>1.2</td>
<td>7.3</td>
<td>2.1</td>
<td>19.5</td>
<td>1.6</td>
<td>19.2</td>
<td>0.0</td>
<td>4.8</td>
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<tr>
<td>Manufacturing</td>
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<td>13.5</td>
<td>9.4</td>
<td>14.2</td>
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<td>14.6</td>
<td>7.1</td>
<td>2.1</td>
<td>11.0</td>
</tr>
<tr>
<td>Ownership of dwellings</td>
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<td>7.1</td>
<td>7.3</td>
<td>7.5</td>
<td>5.9</td>
<td>6.5</td>
<td>8.4</td>
<td>8.0</td>
<td>7.4</td>
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<td>Taxes less subsidies</td>
<td>11.8</td>
<td>12.5</td>
<td>10.8</td>
<td>12.9</td>
<td>8.9</td>
<td>10.3</td>
<td>5.3</td>
<td>7.3</td>
<td>11.3</td>
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<td><strong>Total non-service industries</strong></td>
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<td>Electricity, gas, and water</td>
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<td>4.5</td>
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<td>2.2</td>
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<td>Construction</td>
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<td>7.2</td>
<td>6.5</td>
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<td>Wholesale trade</td>
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<td>5.0</td>
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<td>3.1</td>
<td>1.9</td>
<td>1.7</td>
<td>4.4</td>
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<td>Retail trade</td>
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<td>5.6</td>
<td>7.2</td>
<td>5.6</td>
<td>5.1</td>
<td>6.9</td>
<td>4.7</td>
<td>4.9</td>
<td>5.8</td>
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<tr>
<td>Accommodation, cafes and restaurants</td>
<td>2.4</td>
<td>1.6</td>
<td>2.9</td>
<td>2.0</td>
<td>1.4</td>
<td>2.5</td>
<td>2.5</td>
<td>2.2</td>
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<tr>
<td>Transport and storage</td>
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<td>4.0</td>
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<td>Finance and insurance</td>
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<td>8.9</td>
<td>9.9</td>
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<td>8.0</td>
<td>12.5</td>
<td>11.3</td>
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<td>Education</td>
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<td>3.9</td>
<td>4.1</td>
<td>2.8</td>
<td>4.5</td>
<td>3.7</td>
<td>5.3</td>
<td>3.8</td>
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<tr>
<td>Health and community services</td>
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<td>5.9</td>
<td>5.4</td>
<td>6.7</td>
<td>5.1</td>
<td>7.9</td>
<td>5.5</td>
<td>5.7</td>
<td>5.6</td>
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<tr>
<td>Cultural and recreational services</td>
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<td>1.4</td>
<td>0.9</td>
<td>1.2</td>
<td>0.9</td>
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<td>1.3</td>
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<tr>
<td>Personal and other services</td>
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<td>2.5</td>
<td>1.7</td>
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<tr>
<td>General government</td>
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<td>2.8</td>
<td>4.1</td>
<td>1.8</td>
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<tr>
<td><strong>Total service industries</strong></td>
<td>65.9</td>
<td>62.9</td>
<td>61.4</td>
<td>57.9</td>
<td>53.1</td>
<td>60.8</td>
<td>57.3</td>
<td>82.6</td>
<td>62.5</td>
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<tr>
<td><strong>Total</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: ABS Cat. No. 5220.0
Chart 1.2 compares the relative contributions of different industries to GSP and employment in the Territory, and shows the importance of service industries to employment. In contrast, the mining industry is a relatively small employer, despite its major contribution to GSP. The health and education sector is the largest employer in the Territory, followed by government administration and defence.

Export Propensity

In 2004-05, international exports accounted for 25 per cent of GSP, following a gradual decline over the last two years, mainly due to the expected fall in oil production from the Laminaria-Corallina oilfields. However, the proportion of exports to GSP in the Territory is still higher than the national figure of 17 per cent.

The significance of international exports to the Territory economy means that it is somewhat more exposed to conditions in world markets than other jurisdictions. Furthermore, Territory merchandise exports are primarily minerals, energy and agricultural commodities, which are prone to significant price fluctuations. Global supply and demand conditions, and the impact of exchange rate movements on competitiveness, are key factors affecting production and income. In the short to medium term, continued strength in global demand is expected to lead to increased demand for minerals.

Expenditure Patterns

Overall, the balance between consumption and investment expenditure in the Territory and nationally is quite similar, with consumption expenditure accounting for about three-quarters of state final demand (SFD).

Consumption

Public sector consumption accounts for a significantly higher share of total consumption expenditure compared to the national figure, while household consumption is much lower (Chart 1.3). This reflects the larger presence of government administration and defence in the Territory compared to other jurisdictions.
Patterns of household consumption are quite different in the Territory (Chart 1.4). Territory consumers spend relatively more (as a proportion of consumption expenditure) on food, recreation and culture than Australian consumers in general. In relation to food, this reflects higher prices associated with higher freight costs for most goods, combined with weaker competitive pressures relating to the small market size.

Lower proportional expenditure on clothing is presumably due to climate, while lower transport expenditure may reflect shorter commuting distances for urban-dwelling Territorians. Lower expenditure on electricity, gas and other fuels reflects subsidies provided by the Territory Government and a larger household size, combined with relatively high household incomes. Lower private consumption of health and education services in the Territory reflects the lack of private sector services relative to elsewhere.
Private sector capital investment in the Territory has increased steadily from 10 per cent of SFD in 1994-95 to 19 per cent in 2004-05. Private investment in the Territory is extremely volatile, as the timing of investment on major resource projects such as the Alcan G3 refinery expansion at Gove and the Wickham Point liquefied natural gas plant (Chart 1.5) continues to have a major impact on business investment. Private investment is expected to remain high over the medium term as a number of large-scale mining and gas-related projects proceed. Defence and social infrastructure projects are expected to boost public sector investment in coming years, as will contributions to major projects such as the Darwin Waterfront Development.

Source: Northern Territory Treasury, ABS Cat. No.5220.0
Economic Growth

Key Points

- Economic growth in the Northern Territory tends to be volatile from year to year. The small size of the economy means large, typically resource-based projects can have a substantial impact on investment and income streams.

- During the mid to late 1990s, the Territory’s strong growth was predominately due to the defence relocation program. Growth began to weaken in 1999-2000.

- In 2000-01 and 2001-02, the relative weakness of the onshore economy was masked by significant increases in offshore oil production leading to solid gross state product (GSP) growth. This situation was reversed in 2002-03 and 2003-04, when the strengthening of the onshore economy was masked by a significant decline in offshore oil.

- In 2004-05 GSP grew by 3.6 per cent with strengthening construction, mining and tourism.

- The major influence on estimated GSP growth of 6.7 per cent in 2005-06 is strong onshore activity, with work on major projects leading to strong investment and state final demand growth.

- Economic growth is forecast at 5.8 per cent in 2006-07. A full year of liquefied natural gas (LNG) production, peak production at the Bayu-Undan gas and condensate fields and increased alumina production from Alcan, are the major contributors to growth.

Table 2.1: Territory Economic Growth Profile

<table>
<thead>
<tr>
<th>Period</th>
<th>GSP Growth %</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>5.2</td>
<td>Weak onshore activity. Headline GSP boosted by offshore oil production.</td>
</tr>
<tr>
<td>2001-02</td>
<td>1.2</td>
<td>Pick up in onshore activity. Rail-related investment surge boosts construction and property and business services.</td>
</tr>
<tr>
<td>2002-03</td>
<td>0.1</td>
<td>Sharp fall in offshore oil production a major influence on weak headline result.</td>
</tr>
<tr>
<td>2003-04</td>
<td>0.2</td>
<td>Offshore oil production continues to fall. Recovery in onshore economy gains momentum, boosted by strong construction activity.</td>
</tr>
<tr>
<td>2006-07f</td>
<td>5.8</td>
<td>Pick up in economy led by exports of LNG and alumina will largely offset slower onshore economy, as investment for the LNG plant and Alcan G3 refinery expansion concludes. Solid population and employment growth.</td>
</tr>
</tbody>
</table>

<e: estimate; f: forecast

Source: Northern Territory Treasury, ABS Cat. No. 5220.0>
### Table 2.2: Territory State Final Demand (SFD) and Gross State Product (GSP)

<table>
<thead>
<tr>
<th>Year</th>
<th>$ millions*</th>
<th>Percentage Point Contribution to Gross State Product</th>
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</thead>
<tbody>
<tr>
<td>96-97</td>
<td>Private consumption</td>
<td>-0.4</td>
</tr>
<tr>
<td>97-98</td>
<td>Public consumption</td>
<td>-0.1</td>
</tr>
<tr>
<td>98-99</td>
<td>Total consumption</td>
<td>-0.6</td>
</tr>
<tr>
<td>99-00</td>
<td>Private investment</td>
<td>-0.4</td>
</tr>
<tr>
<td>00-01</td>
<td>Public investment</td>
<td>-2.0</td>
</tr>
<tr>
<td>01-02</td>
<td>Total private investment*</td>
<td>-2.6</td>
</tr>
<tr>
<td>02-03</td>
<td>Public investment</td>
<td>0.5</td>
</tr>
<tr>
<td>03-04</td>
<td>Total investment</td>
<td>-2.1</td>
</tr>
<tr>
<td>04-05</td>
<td>State final demand</td>
<td>-2.7</td>
</tr>
<tr>
<td>05-06e</td>
<td>International trade – export of goods</td>
<td>2.7</td>
</tr>
<tr>
<td>06-07f</td>
<td>International trade – import of goods</td>
<td>0.5</td>
</tr>
<tr>
<td>2006-07 budget</td>
<td>Balancing item</td>
<td>1.3</td>
</tr>
<tr>
<td>2007-08</td>
<td>Gross state product</td>
<td>0.8</td>
</tr>
</tbody>
</table>

* 2003-04 base year

# Total private investment is equal to business investment plus dwellings investment and ownership transfer costs.

Source: Northern Territory Treasury, ABS Cat. Nos. 5206.0, 5220.0
Measurement of Economic Growth

At the national level, an economy’s size is measured by gross domestic product (GDP). Australia’s states and territories have an equivalent concept in the gross state product (GSP). Both measure the production undertaken in an economy in a particular year. The value of production can be estimated using different approaches.

**Gross State Product**

The ‘expenditure approach’ for calculating GDP and GSP is the sum of all final expenditures by residents (Table 2.2). It includes final consumption expenditure by households and government, gross fixed capital expenditure (investment) by the private and public sectors, changes in inventories (that is, output produced in the year but not yet sold) and net exports. Another method of estimating GDP and GSP is the ‘income approach’, which sums the income accruing to the factors of production (primarily labour and capital). The income measure of GDP and GSP also includes net taxes on production and net taxes on imports. The ‘income approach’ is used by the Australian Bureau of Statistics (ABS) to provide the yearly GSP estimate for each state and territory.

**Volatility of GSP**

All jurisdictions report on the GSP measure of economic growth. Nonetheless, the GSP measure is experimental and volatile, with the series open to significant revisions. This can be exacerbated in the Territory due to the dominance of a few industries and the small size of the economy.

**State Final Demand**

A component of GSP, calculated using the ‘expenditure approach’, is state final demand (SFD). SFD is a measure of the demand for goods and services in an economy. SFD data is released quarterly, in contrast to GSP, which is released once a year and as such is a more readily available measure of economic activity. SFD includes expenditure for both consumption and investment purposes. As shown in Table 2.2, the investment component of SFD can be volatile, particularly with the influence of large projects on the Territory’s relatively small economy. Consumption is a more stable element of economic activity and is influenced by population, employment and income growth as well as interest rates and consumer confidence. Public consumption includes defence-related consumption expenditure.

**Onshore and Offshore Activity**

Complicating the interpretation of Territory GSP is the impact of offshore economic activity. In effect, there have been dual economies reported in GSP data. For example, SFD growth was weak in 2000-01 (consumption growth moderated to 2.0 per cent and dwellings investment fell by more than 40 per cent), but GSP increased by 5.2 per cent driven by increased exports, largely due to the huge impact of Laminaria-Corallina (offshore) oil production. Laminaria-Corallina oil production peaked in 2000-01 and has since been declining.

**Major Projects**

In a small jurisdiction such as the Territory, it is possible for major projects to have a substantial impact on SFD, particularly via business investment, and on GSP via income earned by factors of production. However, if the acquired machinery and equipment is assembled overseas, the investment expenditure attributed to the Territory can have a limited impact on the local economy, despite a large impact on SFD. Examples include the importation of the Northern Endeavour for oil production in the Timor Sea in 1998-99, and the importation of the pre-assembled modules (PAMs) for the Alcan G3 refinery expansion at Gove primarily in 2005-06. In the same way, the income accruing to factors of production employed on major projects will be reported in GSP but may not flow on fully to the local economy through private consumption expenditure and dwellings investment, as many of the employees are not permanent residents of the Territory.
Economic Performance

2004-05
The Territory economy continued to experience strong growth in 2004-05, with a recovery in net interstate migration and population growth, solid income growth and strong residential property markets. Business confidence also improved over the year and across a broad range of industries. SFD increased by 4.4 per cent in 2004-05, reflecting robust onshore economic activity, with consumption increasing by 4.0 per cent and investment by 5.5 per cent. Dwellings investment reported strong growth of 24.7 per cent, following weak growth in the same period a year earlier, while business investment decreased by 1.5 per cent.

Growth in GSP of 3.6 per cent in 2004-05 was below the 5.8 per cent estimated at the time of the 2005-06 Mid Year Report. The major influence for the lower than expected GSP figure was the downward revision by the ABS to one component, compensation of employees growth, from 19 per cent to 9 per cent, due to concerns about the reliability of the data in a number of jurisdictions and, to a lesser extent, the Trans-Territory Pipeline from Wadeye to Gove not proceeding.

2005-06
Northern Territory GSP growth for 2005-06 is estimated at 6.7 per cent, reflecting stronger employment and population growth, with output also boosted by the commencement of LNG production and Bayu-Undan stage 1 output doubling as production reaches design capacity, contributing to strong growth in the mining and energy industry.

Onshore Economy
The onshore economy continued to strengthen in 2005-06, with SFD estimated to increase by 6.3 per cent, boosted largely by activity associated with the construction of the LNG plant at Wickham Point (completed in December 2005), peak construction activity for the Alcan G3 refinery expansion at Gove and the commencement of the Darwin Waterfront Development. With resident employment showing positive signs in 2005-06, following three years of reported decline, household consumption is expected to report solid growth for the fourth consecutive year. Stronger population growth of 1.7 per cent in 2005-06 and solid income growth supported strong residential construction and property markets in the Territory. Business investment is estimated to increase by 9.0 per cent, boosted by investment associated with major projects.

LNG Production
In 2005-06, the predominant driver of economic growth in the Territory has been the onshore economy, with a significant contribution from LNG production at Wickham Point. By 2006-07, the contribution of LNG production is forecast to increase substantially with a full year of production from Wickham Point. This will largely offset the significant decline in total investment (associated with the completion of major projects in 2006-07) and the more modest decline in total consumption. Full capacity production of LNG, spread evenly over the next 15 years, will more than compensate for the declining oil production from the Laminaria-Corallina oilfields.
Table 2.3: Northern Territory Economic Indicators

--- | --- | --- | --- | --- | --- | --- | --- |
Real retail turnover | 5.9 | 5.9 | -0.7 | 4.1 | 2.2 | 5.1 | 5.3 |
New motor vehicle sales | -3.4 | -8.8 | -4.2 | -0.3 | 3.3 | 8.4 | 10.7 |
Tourist accommodation takings | 7.0 | 16.8 | 1.5 | -1.0 | -0.1 | 2.8 | 13.6 |
Number of dwellings approved | 0.0 | -30.6 | -28.4 | -13.8 | 0.0 | 23.4 | 18.4 |
Number of dwellings commenced | -9.7 | -21.1 | -34.0 | 0.1 | -4.1 | 6.0 | 28.2 |
Darwin Consumer Price Index | 0.9 | 1.4 | 5.4 | 2.2 | 2.3 | 1.4 | 2.2 |
Labour Price Index | 3.1 | 4.6 | 3.7 | 2.3 | 5.0 | 6.5 | 7.0 |
Employment | 2.8 | 2.5 | 2.8 | 3.1 | 3.0 | 3.3 | 3.7 |
Unemployment rate (year average) | 5.3 | -2.3 | 1.1 | 5.4 | -0.1 | -2.2 | -2.0 |
Population as at June (thousands) | 192.7 | 195.6 | 197.8 | 198.7 | 198.5 | 199.8 | 201.8 |
Population (annual % change) | 1.5 | 1.5 | 1.1 | 0.5 | -0.1 | 0.6 | 1.5 |
Net interstate migration (number) | -953 | -907 | -1592 | -2596 | -3389 | -2108 | 5.0 |

Financial Indicators

Interest rates
90 day bank bill (as at 30 June) | 4.9 | 6.2 | 5.0 | 5.1 | 4.7 | 5.5 | 5.7 |
10 year government bond yield (as at 30 June) | 6.3 | 6.2 | 6.0 | 6.0 | 5.0 | 5.9 | 5.1 |

Exchange Rates
US$ per A$ (year average) | 0.63 | 0.63 | 0.54 | 0.52 | 0.58 | 0.71 | 0.75 |
US$ per A$ (as at 30 June) | 0.66 | 0.60 | 0.51 | 0.56 | 0.67 | 0.69 | 0.76 |
Special drawing rights per A$ (as at 30 June) | 0.49 | 0.45 | 0.41 | 0.43 | 0.48 | 0.47 | 0.52 |
Trade Weighted Index of A$ (as at 30 June) | 58.4 | 53.6 | 49.7 | 52.3 | 59.4 | 59.1 | 64.5 |

* Year on year percentage change unless indicated otherwise
# Average weekly ordinary full-time earnings
Source: Northern Territory Treasury, Reserve Bank of Australia, ABS data

Consumption

Final consumption expenditure provides an indication of household and government demand and is a key element of economic growth. Consumption also tends to reflect household and business confidence. Consumption typically accounts for around three-quarters of final expenditure in the Territory, with household consumption just over 58 per cent of total consumption (compared to about 75 per cent nationally). Given the distortional effect of large, often offshore resource projects on broad economic indicators, consumption expenditure is often used as a more stable indicator of the state of the Territory onshore economy. In 2005-06, total consumption expenditure by households and government increased by an estimated 4.2 per cent.

Since 1990-91, government consumption has declined as a proportion of total consumption, from about 45 per cent to 41 per cent in 2005-06. This reflects the growing significance of private sector (household) consumption expenditure in the Territory (Chart 2.1).
Investment

Investment is the other component of SFD and includes private investment for dwellings, business investment and public expenditure for economic and social infrastructure. Investment is typically more volatile than consumption, reflecting the impact of capital-intensive resource projects on the relatively small Territory economy. Remaining at a very high level, Territory investment increased by an estimated 11.8 per cent in 2005-06. Business investment in the Territory continues to be heavily influenced by major infrastructure works and resource projects. Major projects currently under way include the Alcan G3 refinery expansion at Gove and the Darwin Waterfront Development. The LNG plant at Wickham Point was completed in December 2005. Other projects that commenced in 2005-06 include the biodiesel plant and associated storage facility at East Arm.

Strong dwelling construction over 2005-06 has been associated with stronger population and employment growth, supported by low interest rates and Territory Government incentives. These include the First Home Owners Grant, the stamp duty concession threshold and the HomeNorth Scheme. After several years of housing stock surplus associated with over investment in the late 1990s, a more balanced Territory housing market is reflected in lower residential vacancy rates. Solid rental yields and a booming property market have also encouraged investors to enter the market over the past two years.

Non-residential building also strengthened in 2005-06, due largely to investment expenditure associated with the commencement of the Darwin Waterfront Development, stage 1 of the Darwin Chinatown development and the Outrigger Pandanas serviced apartments.
Economic Outlook

Following strong growth in 2005-06, GSP is forecast to increase by a further 5.8 per cent in 2006-07, which will be predominantly driven by production and export of LNG. Strong growth in exports will act to largely offset the impact of the weakening onshore economy, particularly the significant decline in business investment. Nevertheless, continued growth will be supported by the positive employment and population outlook, linked to employment-creating projects such as the Darwin Waterfront Development. Although a full year of LNG production from Bayu-Undan will be the most significant factor, growth will also be supported by manganese production from the new Bootu Creek mine and increased production from the Alcan G3 refinery expansion at Gove.

Employment associated with major projects, notably the Alcan G3 refinery expansion and the Darwin Waterfront Development, will continue through 2006-07, although the focus of activity will shift to the Waterfront Development as work on the Alcan expansion concludes in late 2006. Although resident employment is forecast to experience solid growth in 2006-07, the number of fly in fly out workers will decline and the composition of employment is expected to change substantially, resulting in lower growth in employment income, down to 3.5 per cent in 2006-07 from 5 per cent in 2005-06.

Consumption

After peaking in 2003-04, private consumption growth moderated in 2004-05 with growth remaining unchanged in 2005-06 before recovering in 2006-07. Household consumption is forecast to increase by 4.3 per cent in 2006-07. Continued low interest rates, the strengthening outlook for employment and continuing solid population growth underpin strengthening consumption. Public consumption is expected to moderate with forecast growth of 0.7 per cent in 2006-07.
Investment
Total investment is forecast to decline by 38 per cent in 2006-07. Although the decrease mainly reflects lower private sector business investment, public investment is also forecast to decline. Private investment is forecast to decline by 42 per cent from the historically high levels of 2005-06. The two mega-projects, the Alcan G3 refinery expansion and the LNG plant, raised private investment in the Territory to unprecedented levels in 2005-06. Dwellings investment is also forecast to decrease by 7 per cent in 2006-07, following strong growth of 21 per cent in 2005-06. The expected decline in public investment expenditure, of 15 per cent in 2006-07, reflects the significant drop in expenditure for defence-related projects, with the Bradshaw Field Training Area completed in 2005-06. The Robertson Barracks development was 70 per cent complete in 2005-06, with the remaining 30 per cent of work to be completed in 2006-07.

State Final Demand
Territory SFD is forecast to decrease by 9.1 per cent in 2006-07, due to the significant decline in total investment expenditure. Although total consumption is forecast to increase by 2.8 per cent in 2006-07, making a significant contribution to growth, total investment is forecast to decrease by about 38 per cent, more than offsetting the increase in consumption.

Engineering Work
With major engineering work for Bayu-Undan stage 2 complete and the Alcan G3 refinery expansion at Gove drawing to a close in late 2006, engineering construction activity in the Territory will return to more normal levels in 2006-07. However, engineering work for the Darwin Waterfront Development and new projects such as the Territory’s proportion of the $750 million development of the Blacktip gas field (expected to begin in 2007-08) and the $450 million condensate processing facility, will ensure that engineering activity in the Territory remains at levels well above historical averages.

Exports
Territory exports, which have been dominated by oil in recent years, are forecast to increase by around 40 per cent in 2006-07, contributing substantially to growth in GSP. The increase will be driven by mineral fuels exports associated with a full year of LNG production from Bayu-Undan and increased alumina production from the Alcan refinery at Gove. External demand for Territory commodities is expected to remain strong in the short term, but moderate somewhat in value in the medium term as commodity prices back away from current highs, with a predicted decline in global demand (especially from China) and increased supply capacity.

Chart 2.3: Territory State Final Demand and Gross State Product (chain volume, annual percentage change)
%  
-10 -5 0 5 10 15 20 25  
Year ended June  
91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06e 07f
Gross state product
SFD including offshore investment
SFD excluding offshore investment
Source: Northern Territory Treasury, ABS Cat. No. 5206.0, 5220.0
Chapter 3  Population

Key Points

- The Northern Territory is sparsely settled, with a relatively young and highly urbanised population. A far higher proportion of the Territory population is Indigenous (29 per cent) than any other jurisdiction.

- Natural increase (births minus deaths) is a higher contributor to total growth in the Territory due to high rates of Indigenous fertility.

- Interstate migration is the most variable component of population growth, but has contributed to stronger growth during 2005-06.

- Population growth strengthened to 1.1 per cent in 2004, and further to an estimated 1.7 per cent in 2005, with positive net interstate migration inflows for the first time since 1997.

- Population growth of 1.5 per cent is forecast for 2006, easing to 1.2 per cent in 2007.

Population growth is an important driver of economic growth in the Territory, as both a supply of labour and source of demand for locally produced goods and services. It is important to note, however, that significant economic growth can still occur in the absence of increases in the resident population. This has been evident recently with the greater reliance on fly in fly out workers as a source of labour for major projects in the Territory.

The accurate estimation of population is of critical importance to the Territory, as the population estimates produced by the Australian Bureau of Statistics (ABS) are used by the Commonwealth Grants Commission to apportion goods and services tax (GST) revenues. Given the Territory’s greater reliance on GST revenues as a source of funding relative to other jurisdictions, changes in the estimated number of residents can have a disproportionate impact on the Territory budget.

For some time, the Northern Territory Treasury has had concerns about enumeration methods used by the ABS to estimate the Territory’s population. These concerns relate to the likelihood of underestimation of the population and the relatively high levels of uncertainty attached to estimates. For these and other reasons, the Northern Territory Government and the ABS are working in partnership to improve the enumeration associated with the 2006 Census. These arrangements are discussed briefly at the end of this chapter.
Table 3.1: Annual Population

<table>
<thead>
<tr>
<th>Year</th>
<th>Northern Territory (000)</th>
<th>Annual % Change</th>
<th>Australia (000)</th>
<th>Annual % Change</th>
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</thead>
<tbody>
<tr>
<td>1987</td>
<td>159.0</td>
<td>1.6</td>
<td>16 394.6</td>
<td>1.6</td>
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<td>16 687.1</td>
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<td>1.0</td>
<td>16 936.7</td>
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<tr>
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<td>165.0</td>
<td>1.8</td>
<td>17 169.8</td>
<td>1.4</td>
</tr>
<tr>
<td>1991</td>
<td>166.8</td>
<td>1.1</td>
<td>17 387.0</td>
<td>1.3</td>
</tr>
<tr>
<td>1992</td>
<td>169.7</td>
<td>1.7</td>
<td>17 581.3</td>
<td>1.1</td>
</tr>
<tr>
<td>1993</td>
<td>172.3</td>
<td>1.5</td>
<td>17 760.0</td>
<td>1.0</td>
</tr>
<tr>
<td>1994</td>
<td>175.0</td>
<td>1.5</td>
<td>17 951.5</td>
<td>1.1</td>
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<tr>
<td>1995</td>
<td>180.5</td>
<td>3.2</td>
<td>18 196.1</td>
<td>1.4</td>
</tr>
<tr>
<td>1996</td>
<td>184.6</td>
<td>2.3</td>
<td>18 420.3</td>
<td>1.2</td>
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<tr>
<td>1997</td>
<td>188.3</td>
<td>2.0</td>
<td>18 609.1</td>
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<tr>
<td>1998</td>
<td>191.3</td>
<td>1.6</td>
<td>18 814.3</td>
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<td>194.3</td>
<td>1.6</td>
<td>19 038.3</td>
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<td>2000</td>
<td>196.3</td>
<td>1.0</td>
<td>19 272.6</td>
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<td>2001</td>
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<td>0.9</td>
<td>19 529.3</td>
<td>1.3</td>
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<td>2002</td>
<td>198.2</td>
<td>0.1</td>
<td>19 754.8</td>
<td>1.2</td>
</tr>
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<td>2003</td>
<td>198.7</td>
<td>0.3</td>
<td>19 982.5</td>
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<td>2004</td>
<td>200.8</td>
<td>1.1</td>
<td>20 210.0</td>
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</tr>
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<td>2005e</td>
<td>204.3</td>
<td>1.7</td>
<td>20 452.2</td>
<td>1.2</td>
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<tr>
<td>2006f</td>
<td>207.3</td>
<td>1.5</td>
<td>20 689.0</td>
<td>1.2</td>
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<tr>
<td>2007f</td>
<td>209.8</td>
<td>1.2</td>
<td>20 923.5</td>
<td>1.1</td>
</tr>
</tbody>
</table>

* e: estimate; f: forecast

Source: Northern Territory Treasury, Access Economics, ABS Cat No. 3101.0

Recent Population Growth

Based on ABS preliminary estimated resident population (ERP) estimates, Territory population growth increased to 1.1 per cent in 2004, following growth of 0.3 per cent in 2003 and 0.1 per cent in 2002 (Chart 3.1). Over the year to June 2005, Territory estimated population growth was 1.5 per cent, rising above the national growth rate for the first time in five years. Population growth in the Territory is expected to continue above the national growth rate during 2006 and 2007.

The Territory recorded the highest population growth of all jurisdictions over the five years to June 2000, primarily due to positive interstate migration resulting from the Army Presence in the North (APIN) defence expansion. The current period of strengthening population growth in the Territory follows weak growth consistent with increased net interstate migration loss caused by the downturn in the Territory onshore economy in 1999-2000 and 2000-01. Interstate migration outflows began to decline in 2003, and by 2005 had decreased to a level not seen for 15 years (Chart 3.7). The Territory’s population is expected to increase by 1.7 per cent in the year to December 2005.

Interstate Comparison

Over the past 10 years, the Northern Territory had the third highest population growth of the jurisdictions, at 1.3 per cent per year, behind Queensland and Western Australia (Chart 3.2). Nationally, growth averaged 1.2 per cent over the same period. However, the Territory’s average population growth over the past five years was well below the national rate, at 0.7 per cent, and was the fifth highest of the jurisdictions. In the year to June 2005, population growth in the Territory returned to the longer term stronger levels, and at 1.5 per cent was the third highest growth rate of the jurisdictions, behind Queensland and Western Australia.
Between 2001 and 2005, the Darwin region, comprising Darwin, Palmerston and Litchfield, experienced moderate population growth, with Palmerston increasing by 9.1 per cent and Litchfield by 6.9 per cent, compared with Darwin's 2.0 per cent. The very high growth levels experienced by Palmerston between 1996 and 2001 (11.0 per cent per annum) have slowed to average annual growth of 2.0 per cent since 2001.

Other regional centres in the Territory experienced mixed growth results over the 2001-05 period. Jabiru, Katherine and Alice Springs fell by 1.4 per cent, 0.7 per cent and 0.1 per cent respectively, while the populations of Nhulunbuy and Tennant Creek grew by 5.0 per cent and 0.2 per cent respectively. The population of the remainder of the Territory increased by 1.0 per cent over the same period (Chart 3.3).
Table 3.2: Territory Population Estimates by Main Centre, as at 30 June

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<td>Darwin</td>
<td>68 188</td>
<td>68 889</td>
<td>68 710</td>
<td>70 055</td>
<td>41.2</td>
<td>37.9</td>
<td>34.7</td>
<td>34.5</td>
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<td>Palmerston</td>
<td>8 557</td>
<td>13 343</td>
<td>22 559</td>
<td>24 603</td>
<td>5.2</td>
<td>7.3</td>
<td>11.4</td>
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<td>Litchfield</td>
<td>9 670</td>
<td>13 597</td>
<td>15 573</td>
<td>16 642</td>
<td>5.8</td>
<td>7.5</td>
<td>7.9</td>
<td>8.2</td>
</tr>
<tr>
<td>Darwin Region</td>
<td>86 415</td>
<td>95 829</td>
<td>106 842</td>
<td>111 300</td>
<td>52.2</td>
<td>52.7</td>
<td>54.0</td>
<td>54.9</td>
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<td>Jabiru</td>
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<td>1 457</td>
<td>1 181</td>
<td>1 165</td>
<td>0.9</td>
<td>0.8</td>
<td>0.6</td>
<td>0.6</td>
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<tr>
<td>Katherine</td>
<td>8 347</td>
<td>9 443</td>
<td>8 956</td>
<td>8 895</td>
<td>5.0</td>
<td>5.2</td>
<td>4.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Nhulunbuy</td>
<td>4 020</td>
<td>3 759</td>
<td>3 800</td>
<td>3 990</td>
<td>2.4</td>
<td>2.1</td>
<td>1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Tennant Creek</td>
<td>3 238</td>
<td>3 694</td>
<td>3 002</td>
<td>3 009</td>
<td>2.0</td>
<td>2.0</td>
<td>1.5</td>
<td>1.5</td>
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<td>Alice Springs</td>
<td>24 250</td>
<td>25 040</td>
<td>26 520</td>
<td>26 486</td>
<td>14.7</td>
<td>13.8</td>
<td>13.4</td>
<td>13.1</td>
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<tr>
<td>Rest of NT</td>
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<td>42 621</td>
<td>47 467</td>
<td>47 948</td>
<td>22.8</td>
<td>23.4</td>
<td>24.0</td>
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<td>Total NT</td>
<td>165 493</td>
<td>181 843</td>
<td>197 768</td>
<td>202 793</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

p: ABS preliminary estimate
Source: ABS Cat. No. 3218.0.55.001

Population Characteristics

Populations can be measured in a variety of ways. The main concept of population used in this chapter is ‘estimated resident population’ (ERP), which is the official population figure as measured by the ABS. It includes all people who usually live in a place. To measure ERP, the ABS needs information about the number of usual residents as well as information about the numbers of births and deaths and interstate and overseas migrants. ERP does not include the many fly-in fly-out workers who are brought in to work on major projects when local skilled labour is insufficient. Therefore, economic growth can still occur in the absence of increases in the resident population.

There are a number of other population concepts that can be of interest, for example, population counts from the ABS Census of Population and Housing. These can be based on place of enumeration (where people are actually counted on Census night) or place of usual residence (the place where people have lived or intend to reside for at least six months). The former are particularly useful for service providers and planners to know the size of the ‘service population’, which may include tourists and other visitors. The latter form the basis of ERP mentioned above.

The Territory is sparsely populated, with a density of 0.15 persons per square kilometre, lower than any other jurisdiction and well below the national density of 2.6 people per square kilometre.

Small Population, Large Land Area

Highly Urbanised

Despite the low overall population density, more than three-quarters of the Territory’s population lives in the urban centres. As at 30 June 2005, the Darwin region accounted for around 55 per cent of the Territory’s population. Alice Springs accounted for a further 13 per cent, while the other main administrative centres (Katherine, Nhulunbuy, Tennant Creek and Jabiru) accounted for about 9 per cent (Table 3.2).

The increasing population concentration in the Darwin region mirrors the national trend of greater population concentration in state capitals. The underlying causes of higher population density in urban areas include better employment prospects, higher standards of living, improved amenities and services and changing social values. In the Territory, it may also reflect a pattern of urban migration which is driven in part by the need to access health services and other social and employment opportunities. Without this migration, growth in remote areas would have been higher in recent years.
The Territory’s population is the most youthful of any jurisdiction in Australia (Chart 3.4). It consistently has the largest proportion under 15 years of age and the smallest proportion aged 65 and over of any state or territory. The Territory has a higher proportion (71 per cent) of its population in the typical working age group of 15-64 years, compared to the Australian population (67 per cent).

As at 30 June 2005, the median age of Territorians was estimated to be 30.9 years. This is the youngest of any jurisdiction and almost six years below the national median age of 36.6 years. However, over the past five years, the Territory’s population has aged markedly faster than the national population. The median age in the Territory rose from 29.2 years in 2000 to 30.9 years in 2005, compared to an increase nationally from 35.4 years to 36.6 years over the same period. Chart 3.4 illustrates the different patterns of ageing experienced by the Territory and Australian populations over the past 10 years.

The Indigenous population makes up 29 per cent of the Territory’s total population, according to ABS experimental estimates of the Indigenous population for 2001. This is proportionately far larger than any other jurisdiction, with more than one in four people in the Territory identifying as Indigenous. The Indigenous population is much younger than the non-Indigenous population, with a median age of 21.8 at June 2001 compared with 32.4 years for the non-Indigenous population.

The ABS experimental estimates and projections are based on the 2001 Census usual residence counts and take into account instances in which Indigenous status is not stated, the extent to which ABS estimates Indigenous people are undercounted and a number of other demographic adjustments. At 30 June 2001, the Indigenous population in the Territory was estimated to be 56,875 persons, accounting for 12 per cent of the national Indigenous population of 458,520, which was 2.4 per cent of Australia’s total population. Between 1991 and 2001, the Territory’s Indigenous population has had average annual growth of 2 per cent compared to 1.7 per cent for the non-Indigenous population. Chart 3.5 shows experimental projections of the Indigenous population as at June 2005 and shows patterns of ageing in the Territory Indigenous and non-Indigenous populations over the past decade.

Source: ABS Cat. No. 3201.0
Falling Household Size

In the five year period between June 1996 and June 2001, the number of resident households in the Territory was estimated by ABS to have increased by 11 per cent (based on 1996 and 2001 Census data). Household growth was significantly faster than population growth of 9 per cent based on 1996 and 2001 Census data, and is associated with a drop in the average number of people per household from 3.1 to 3.0. The ongoing decline in the average size of Territory households reflect an ageing population, a falling fertility rate and an increasing proportion of single-person households, which is consistent with national trends. Despite the decline, household size in the Territory remains the largest of all jurisdictions, partly reflecting high rates of overcrowding among Indigenous households as well as larger families, particularly in remote communities.

Male to Female Ratio

The Territory has significantly more males than females, with an estimated 111 males (52.6 per cent) for every 100 females (47.4 per cent) as at 30 June 2004. This contrasts with the national ratio of 99 males for every 100 females. The ratio becomes more extreme in older age groups, progressing from 108 males for every 100 females in 0-19 year olds, to 127 males to 100 females in 55-74 year olds. Corresponding national figures are 105 males for every 100 females for the 0-19 years age group and 99 males for every 100 females for the 55-74 age group.

Overseas Born

2001 Census results show that 22 per cent of the enumerated Territory resident population was born overseas, with many from non-English speaking backgrounds. This is similar to the proportion of overseas-born recorded in both the 1991 and 1996 Censuses (21 per cent), and is similar to the total Australian proportion. In the Territory, of those born overseas, the main countries of birth were the United Kingdom (17.7 per cent), New Zealand (8.2 per cent), the Philippines (3.9 per cent), the United States (2.8 per cent), Germany (2.4 per cent) and Greece (2.4 per cent).
In April 2005, the Productivity Commission released its report, Economic Implications of an Ageing Australia, which explores the impact that Australia’s ageing population may have on various aspects of the economy, state and national budgets. Like other developed countries, Australia’s population is ageing. By 2045, one in four Australian residents will be aged over 65, compared with about one in eight currently. Ageing of the population is the result of past trends in fertility and mortality and cannot be reversed. Population policies such as increased immigration will have little effect on the future age structure of the population. In the absence of significant change, ageing will mean lower labour force participation, potentially reduced productivity and increased costs such as health care.

Although the Territory has a younger population than those of other jurisdictions, the population is ageing at a faster rate. The proportion of Territorians aged over 65 may have increased three-fold in 40 years time, whereas the proportion in this age group in the Australian population is expected to double.

Some of the economic impacts of ageing will be more marked in the Territory. For example, the rise in health and aged-care costs is expected to have a greater impact in the Territory than most of Australia because of the rapid rise in the Territory’s aged population. Although the Productivity Commission report predicts that education costs will fall in all jurisdictions, it is unlikely this will be the case in the Territory, particularly because of education costs associated with the large youthful Indigenous population.

The economic consequences of demographic change within the Indigenous population will be divergent. The growing size of the younger sections of the population will continue to create increased demand for education services, while demand for health services will also increase as the older section of the population grows rapidly. Poor health among the Indigenous population will compound this situation.

The creation of employment and economic development opportunities for the fast-growing, working aged (15-64 years) segment of the population will present challenges for the Territory. Another area of growing demand associated with the changing demography of the Territory’s Indigenous population will be the provision of education and housing for these Territorians and their dependants.

The main demographic challenge for the non-Indigenous population in the Territory arises from interstate migration. Natural increase (births less deaths) for the non-Indigenous section of the Territory population is likely to follow a similar trend to that observed nationally.

The non-Indigenous section of the Territory’s population has high levels of mobility. During the young adult years, mobility typically results in net migration inflows but, at most other ages, usually results in net migration outflows.

The future challenges associated with these major demographic movements are to maintain an economic and social environment that continues to attract young adult Australians, in the face of growing competition from other states and territories for the diminishing number of young working age Australians. The Territory also faces a challenge to further develop its economic and social infrastructure and environment in an effort to change the long-standing trend of older age groups migrating away from the Territory.
For some time into the future, the Territory is likely to face an expanding, rather than a contracting, working age population as a proportion of the total population. This is unique among the jurisdictions in Australia. The expected growth in the Indigenous population has the potential to expand the Territory workforce if opportunities to participate fully in economic development are provided and accepted. This will provide the Territory with a competitive advantage compared with the rest of Australia.

**Components of Population Growth**

Population growth consists of natural increase (births minus deaths), net overseas migration and net interstate migration.

**Natural Increase**

Natural increase is the main contributor to growth in the Territory (Table 3.3). On average, natural increase contributed 1.4 percentage points to annual growth over the five year period to June 2005, declining from 1.5 per cent over the five year period to June 2000 (Chart 3.6).

**Table 3.3: Population Components, as at 30 June**

<table>
<thead>
<tr>
<th>Year</th>
<th>Northern Territory</th>
<th>New South Wales</th>
<th>Victoria</th>
<th>Queensland</th>
<th>South Australia</th>
<th>Western Australia</th>
<th>Tasmania</th>
<th>Australian Capital Territory</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>189.9</td>
<td>6339</td>
<td>4638</td>
<td>3448</td>
<td>1490</td>
<td>1823</td>
<td>472</td>
<td>310</td>
<td>18 711</td>
</tr>
<tr>
<td>1999</td>
<td>192.7</td>
<td>6411</td>
<td>4686</td>
<td>3501</td>
<td>1498</td>
<td>1850</td>
<td>471</td>
<td>312</td>
<td>18 926</td>
</tr>
<tr>
<td>2000</td>
<td>195.6</td>
<td>6486</td>
<td>4741</td>
<td>3562</td>
<td>1505</td>
<td>1874</td>
<td>471</td>
<td>315</td>
<td>19 153</td>
</tr>
<tr>
<td>2001</td>
<td>197.8</td>
<td>6575</td>
<td>4805</td>
<td>3629</td>
<td>1512</td>
<td>1901</td>
<td>472</td>
<td>321</td>
<td>19 413</td>
</tr>
<tr>
<td>2002</td>
<td>198.7</td>
<td>6634</td>
<td>4857</td>
<td>3711</td>
<td>1519</td>
<td>1925</td>
<td>473</td>
<td>325</td>
<td>19 641</td>
</tr>
<tr>
<td>2003</td>
<td>198.5</td>
<td>6682</td>
<td>4911</td>
<td>3801</td>
<td>1526</td>
<td>1950</td>
<td>477</td>
<td>332</td>
<td>19 873</td>
</tr>
<tr>
<td>2004</td>
<td>199.8</td>
<td>6721</td>
<td>4963</td>
<td>3888</td>
<td>1533</td>
<td>1978</td>
<td>482</td>
<td>324</td>
<td>20 092</td>
</tr>
<tr>
<td>2005</td>
<td>202.8</td>
<td>6774</td>
<td>5022</td>
<td>3964</td>
<td>1542</td>
<td>2010</td>
<td>485</td>
<td>325</td>
<td>20 329</td>
</tr>
</tbody>
</table>

*Note: Growth components do not equal population change due to inter-censal discrepancy. Issues relating to the registration of births and deaths leads to discrepancies between births/deaths and natural increase in the Territory.*

Source: ABS Cat. No. 3101.0
The Territory is characterised by high fertility rates, particularly among the Indigenous population. Since 1986, total fertility (children per woman during lifetime) for all Territory females has fluctuated around 2.3, while nationally it has fallen from 1.9 to 1.8. In 2004, the total fertility for Indigenous women in the Territory was 2.6, while the total fertility for all Territory women was 2.2. For the same period, the Australian fertility rates were 2.1 and 1.8 respectively. The total fertility for Indigenous females in the Territory remains the highest of all jurisdictions.

In 2004, 42 per cent of all births in the Northern Territory were recorded as Indigenous, compared to 44 per cent in 2001. Nationally, 4.6 per cent and 4.7 per cent of all births were recorded as Indigenous in 2001 and 2004 respectively.

One of the most striking differences between the Indigenous population of the total Territory population is in the 19 years and under age group, where the age-specific fertility rates of Indigenous women are twice that of all Territory women.

In Darwin, the 2004 total fertility rate was 2.0, compared to 2.5 for the balance of the Territory.

Crude death rates (that is, deaths per 1000 people with no adjustment for age profiles) in the Territory are the second lowest of all jurisdictions, reflecting the younger age profile of the population and the tendency for retirees to leave the Territory. This has been a major factor in the Territory having the lowest crude death rate of any jurisdiction in Australia, despite high mortality among Indigenous Territorians.

On an age-standardised basis, which takes into account the age structure of the population, mortality rates are significantly higher in the Territory (8.2 per 1000) than in any other jurisdiction and nationally (6.3 per 1000). The Indigenous population experiences much poorer health outcomes than the non-Indigenous population. Over the period 1996-2000, age-standardised death rates for Indigenous Territorians were two to three times higher than those for non-Indigenous Territorians. For the period 2002-04, the infant mortality rate in the Territory for Indigenous persons was 15 per 1000 births, compared to 10 per 1000 for the total Territory population. In 2004, Indigenous infant deaths accounted for over 70 per cent of all infant deaths.

Reflecting the higher standardised mortality rates in the Indigenous population, life expectancy in the Territory is below the Australian level and is the lowest of all jurisdictions. Life expectancy for Territorians born in 2004 was 72.3 years for males and 78.0 for females, compared to Australian rates of 78.1 years for males and 83.0 years for females. Indigenous Territorian life expectancy at birth for 1996-2000 is estimated by the Northern Territory Department of Health and Community Services to be 59.4 years for males and 65.0 years for females.

Life expectancy in Darwin in 2004 was 76.9 years for males and 81.5 years for females, significantly higher than the remainder of the Territory, where life expectancy was estimated at 68.4 years for males and 73.4 years for females, largely reflecting the geographic distribution of Indigenous and non-Indigenous Territorians.

The median age at death in the Territory is well below the Australian median age. This is a result of a young population, in combination with high mortality in the Indigenous population. In 2004, the median age at death in the Territory was the lowest of all jurisdictions for Indigenous males and females at 43.8 and 54.0 years respectively, compared to 63.0 and 71.3 for non-Indigenous males and females.
Overseas migration has typically made a small positive contribution to Territory population growth (Chart 3.6) and, in the five years to June 2005, its average contribution to growth was 0.3 of a percentage point per annum. The annual contribution to growth was relatively volatile over the past five years, ranging from 0.2 to 0.5 of a percentage point.

Table 3.4: Estimated Proportion of 2001 Population Previously not Resident in the State or Territory

<table>
<thead>
<tr>
<th>State</th>
<th>One year ago</th>
<th>Five years ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>2.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Victoria</td>
<td>2.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Queensland</td>
<td>3.4</td>
<td>10.8</td>
</tr>
<tr>
<td>South Australia</td>
<td>2.0</td>
<td>6.1</td>
</tr>
<tr>
<td>Western Australia</td>
<td>2.5</td>
<td>8.4</td>
</tr>
<tr>
<td>Tasmania</td>
<td>2.5</td>
<td>6.6</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>7.5</td>
<td>20.9</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>6.7</td>
<td>19.2</td>
</tr>
</tbody>
</table>

Source: ABS Cat. No. 2004.0

The Territory’s population shows greater interstate mobility than any other jurisdiction, with an estimated 21 per cent of the Territory’s population in 2001 not living in the Territory five years previously (Table 3.4). Over the five years to June 2005, around 9 per cent of the population moved interstate each year. Nationally, around 2 per cent of the population move interstate each year. The Territory tends to attract young mobile interstate migrants; in 2003-04 the median age of interstate migrants was the lowest of the jurisdictions, at 27 years of age. The tendency of people to leave the Territory on retirement, however, reduces the magnitude of net migration to the Territory.

Chart 3.7: Territory Interstate Migration Flows

Given the relatively stable nature of natural increase and overseas migration, change in Territory population growth is largely determined by movements in interstate migration. Over the five years to June 2005, quarterly estimates of net interstate migration ranged from a gain of 233 in the June quarter 2005 to a loss of 1160 persons in the March quarter 2003. On average, net interstate migration subtracted one percentage point from annual growth over the five-year period to June 2005.
Until 2005, the pattern over the past two decades has been of consistent net interstate migration outflows, except for the period of the defence build up during 1995 to 1998. If the growth in defence personnel and family members over the past 12 years was excluded from the Territory’s population figures, the Territory’s average annual population growth rate since 1992 of 1.5 per cent would be approximately 1.2 per cent, 0.3 of a percentage point lower.

Over the past two years there has been a significant turnaround in the Territory’s net interstate migration outflows (Chart 3.7). Net interstate migration turned positive in the March quarter 2005 for the first time since December 1999, and two years after the largest net interstate migration outflow in the March quarter 2003 (1160 persons). Recent improvement in net interstate migration reflects the improving prospects for the Territory economy, particularly in construction and tourism.

Over the five years to June 2005, on average, 31 per cent of the combined population flow into and out of the Territory was with Queensland (Chart 3.8). New South Wales, Victoria, South Australia and Western Australia account for the majority of the remainder. In net terms, strong outflows were recorded to Queensland, South Australia and Western Australia over the five years to June 2005. The only net inflow was from New South Wales.

The estimation of interstate migration remains an area of concern for the Northern Territory Government. The ABS calculates interstate migration flows using Medicare change of address records provided by Medicare Australia (formerly the Health Insurance Commission). The ABS makes adjustments to the raw records for time lags between a person moving interstate and updating their Medicare record, and for other factors such as failure to update Medicare records by certain segments of the population. The updating of Medicare personal records usually takes place when an individual lodges a claim with Medicare. Anecdotal evidence suggests many new residents do not update their Medicare address details. Young people moving out of home for the first time may continue to use their parents’ interstate postal address for much correspondence. Further, young adults and males do not tend to use medical services as frequently as other segments of the population. Northern Territory Treasury is working to understand more about Medicare change of address data and use of this data by ABS in population estimation, and to promote the need for new residents to the Territory to update their address records promptly with Medicare.

**Chart 3.8: Territory Interstate Migration Flows, by Jurisdiction, 2000-01 to 2004-05 (annual average)**

![Migratons Flow Chart](chart3.8.png)

Source: ABS Cat. No. 3101.0
Demographic Challenges and Population Initiatives

The five-yearly Census of Population and Housing will be held on Tuesday 8 August 2006. By early 2006, the ABS was already well into the recruitment and operational phases associated with conducting this complex task. In the Northern Territory, about 1100 people will be recruited to assist with the Census count.

Census counts provide a base from which the ABS derives estimates of Australia's resident population (ERP) for the subsequent five years. The count of the population is adjusted for usual residence (that is, where people usually live), visitors from overseas, Australian residents temporarily overseas on Census night, and an estimate of the number of people missed in the Census and those counted more than once.

Between Census years, adjustments are made every three months for births, deaths and overseas and interstate migration for each state and territory, to obtain up to date resident population estimates.

The ability to accurately monitor and forecast the size and distribution of the Northern Territory's population is vital in planning for the future of the Territory. The Territory is heavily dependent on Australian Government grants for its revenue sources (mainly GST revenues). GST revenues are apportioned annually to the states and territories using a model driven by population estimates. Therefore, accurate population estimates are critical to ensure the Territory receives its share of the GST revenues. Secondly, reliable population forecasts are crucial for the development of effective policy responses and to ensure the needs of the Territory's unique population are met.

Another important use of ABS population estimates is for the allocation of House of Representative seats to the states and territories in the Australian parliament. This is determined largely by population size. Prior to the 2001 federal election, the Territory had just one member in the House of Representatives, however a determination by the Australian Electoral Commission in 2000 resulted in the allocation of a second seat to the Territory. Slower population growth in 2002, and downward adjustments to preliminary estimates, resulted in a determination that could have led to the loss of the second seat in future federal elections. This caused considerable public and political objection. An inquiry by the Joint Standing Committee for Electoral Matters resulted in an unusual amendment to the Electoral Act that acknowledged uncertainty in the official population estimates and introduced the concept of a confidence interval in Northern Territory and Australian Capital Territory population estimates.

The 2003 determination was set aside and the Territory was allowed to retain its two seats until the subsequent determination held on 17 November 2005. At that determination, the population had increased sufficiently for the Territory to retain its second seat because of the new amendments. Whether the Territory retains its second seat will depend on its future population growth relative to the other jurisdictions.

More than any other jurisdiction, the Territory faces the challenge of counting, estimating and predicting the size and composition of its population with, in relative terms, more at stake than other jurisdictions. The Territory covers a vast geographical area and much of its resident population is sparsely distributed and isolated. The population is culturally diverse, bringing challenges of communication. The Territory experiences high mobility, both locally with the movement of Indigenous people, and across borders, with relatively large numbers of visitors and short-term residents.
For these reasons, Northern Territory Treasury is working closely with the ABS to develop more effective mechanisms for Territory Government agencies (and other Territory-based organisations) to better support ABS to conduct Census field activities. In December 2005, the Chief Minister and the Australian Statistician signed a Memorandum of Understanding to guide collaboration between the agencies on statistical matters, including cooperation on the Census. A Census Coordination Plan has been developed for Territory Government involvement in the Census. It includes strategies for whole of government engagement, employment of Territory Government staff on the Census and a communications campaign.

In most places, people will complete their Census form on Census night, but in remote Indigenous communities and town camps, enumeration is conducted by household interview and takes place over a period of several weeks. The Territory Government will work with the ABS to encourage people to complete their form on Census night, and to assist the ABS to find and support the best possible interviewers in remote communities.

Although the best method of obtaining accurate population estimates is to count the population correctly in the first instance, some under or over-count of the population inevitably occurs in the Census. To estimate the size of the under or over-count, the ABS conducts a Post-Enumeration Survey (PES) soon after the Census. A sample of households is visited and surveyed using a subset of the questions on the Census form. These records are then matched, where possible, to Census records and an estimate of those missed or counted twice is obtained. Until now, the PES has been conducted in urban and regional parts of Australia only, and crude adjustments are made for undercounting the 25 per cent of the Territory’s population who live in remote areas. The Territory has historically had the largest undercount estimate of all jurisdictions, being estimated by the ABS in 2001 to be 4 per cent compared with 1.8 per cent for other parts of Australia. Northern Territory Treasury has long held concerns over the methodology for estimating the undercount and its application to the whole of the Territory.

In 2006, ABS is exploring the possibility of conducting a PES in remote areas. Subject to potential methodological and operational constraints, the aim is to improve the estimate of the undercount for the Territory. The Territory supports the ABS decision to explore this option, recognising the difficulties of conducting such an exercise, and the significance of the potential effect on the Territory’s population estimates. Treasury will explore all options with ABS to fully understand and develop confidence in the procedures proposed for the PES in remote areas.

Northern Territory Treasury is working with the School for Social and Policy Research at Charles Darwin University (CDU) on a demographic research program. A major part of the work program is to better understand the factors underpinning the high levels of mobility demonstrated by many Territorians. This will assist the development of effective strategies and programs to improve the Territory’s ability to attract potential new residents and retain existing residents for longer periods. In July 2005, the Australian Research Council (ARC) awarded a grant to CDU in partnership with Northern Territory Treasury, the Department of Business, Economic and Regional Development and the ABS, to investigate population mobility and its consequences, such as the loss of professional expertise and social memory. The research group’s current work includes analysing historical mobility trends in the Territory, exploring the mobility of particular professional groups and developing a telephone survey about mobility.
CDU is working with Northern Territory Treasury and other Territory Government agencies to improve and extend population estimation and projection methodologies appropriate to the Territory’s population. These improved methodologies will be used to make more detailed population estimates and projections available to Territory Government agencies.

In 2005, the Northern Territory Statistical Liaison Committee formed a population sub-committee to progress population issues, including the development of a common set of population projections to be made available for use across Territory Government agencies. CDU has developed a population projections model to produce projections from 2001-02 to 2050-51. The 2001 Census is used as the base year. The model calculates future births, deaths, international and interstate migration for each age and sex cohort of the Indigenous and non-Indigenous populations of the Territory and the rest of Australia. In a second phase, the model will produce regional projections for the Territory.

The sub-committee’s task is to set the parameters for the model and agree on the underlying assumptions. A statistical evidence-based method is being applied to guide this work. Challenges include predicting future fertility and mortality patterns of the Indigenous population. Further challenges lie in setting the parameters for the regional projections.

Despite the challenges, the project will provide useful and relevant Territory population projections for Government business. The projections will be subject to a regular review process, and a set of technical papers around the assumptions will be produced to describe current thinking and to explore alternative scenarios. The first set of projections should be available in mid 2006 and the interdepartmental committee will produce an information paper to coincide with their release.

**Population Outlook**

During 2005, population growth in the Territory gained momentum, with Northern Territory Treasury estimating growth of 1.7 per cent to December 2005. Further out, population growth is expected to remain strong at 1.5 per cent in the year to December 2006. The completion of the construction of the Wickham Point liquefied natural gas (LNG) plant in December 2005 will be partly offset by employment opportunities on the Darwin Waterfront Development. Alcan’s G3 refinery expansion should continue to provide strong employment opportunities until the end of 2006. Normal cyclical movements in defence force personnel are expected. Housing vacancy rates have recently shown signs of increasing from the historically low levels experienced in mid 2005, and it will be important to monitor the direction of these and other economic indicators over the coming months. For the remainder of the decade, population growth is forecast to average around 1.2 per cent.

Beyond 2007, prediction is difficult due to uncertainty surrounding the likelihood of future major employment-creating projects, which will be the major determinant of net migration to the Territory.

The effectiveness of current Territory Government policies such as Building our Population and the Business and Skilled Migration Strategy to address some of the Territory’s demographic challenges will have a significant impact on the Territory’s future population growth.

In relation to population estimation, supporting efforts to obtain an accurate count in the forthcoming 2006 Census is a priority for the Territory Government and its agencies.
Labour Market

Key Points

- The Northern Territory labour market continued to strengthen in 2005-06 as buoyant onshore economic conditions prevailed.
- Although there is no quantitative measure of Territory jobs, related indicators point to strong employment growth and a shortage of skilled labour in 2005-06, which is expected to continue into 2006-07.
- Following a decline of 2 per cent in 2004-05, as reported by the Australian Bureau of Statistics (ABS), resident employment is expected to increase by 2.1 per cent in 2005-06.
- Resident employment growth of 2.3 per cent is forecast for 2006-07, supported by construction work on the Darwin Waterfront Development, residential construction and tourism growth.
- ABS-reported employment data does not include defence personnel or fly in fly out workers and is subject to significant volatility. Therefore, it is not a good measure of the number of jobs in the Territory.

Labour market statistics for the Territory are subject to extreme volatility and often appear to be inconsistent with broader indicators of economic performance and anecdotal evidence.

The traditional measure of labour market strength is resident employment as reported in the ABS Labour Force Survey (LFS). The LFS does not measure the number of jobs in the economy, as is sometimes presumed, but provides estimates of the labour force status of the resident civilian population.

Nationally, the difference between resident employment levels and the number of jobs in the economy is negligible, however, in the Territory resident employment numbers can differ substantially from the number of jobs. This has been particularly evident over the past two years, with the LFS reporting decreasing resident employment levels, while numerous other economic indicators suggest strengthening job numbers.

Further, LFS estimates of Territory resident employment are subject to large sampling errors that result in less accurate estimates of true resident employment levels. There is currently no quantitative measure for the number of jobs in the Territory.

Territory Jobs

After two years of subdued economic growth, the Territory’s economy rebounded in 2004-05, with state final demand (SFD) and gross state product (GSP) increasing by 4.4 per cent and 3.6 per cent respectively. Growth was boosted by high levels of defence infrastructure spending, increased residential construction activity and construction work for major projects, most notably, the ConocoPhillips liquefied natural gas (LNG) plant at Wickham Point and the Alcan G3 refinery expansion at Gove.

The Sensis Business Index for Small and Medium Enterprises reported strong net employment growth and acute skilled labour shortages. This was reinforced by the ANZ job advertisement series that reported near record levels of newspaper job advertisements and the Department of Employment and Workplace Relations (DEWR) skilled vacancy index, which peaked at record levels in this period.
The Territory’s labour market strengthened in 2005-06, as buoyant onshore economic conditions prevailed. SFD and GSP are estimated to have increased by 6.3 per cent and 6.7 per cent respectively. Construction activity remained near record levels despite construction for the LNG plant concluding, as work on the Alcan G3 refinery expansion peaked and residential construction activity continued to strengthen. Construction activity was also supported by the commencement of works for the $1 billion Darwin Waterfront Development, the $60 million Darwin Chinatown precinct and ongoing defence infrastructure spending.

The February 2006 Sensis Business Index for Small and Medium Enterprises reported that Territory businesses had the strongest employment expectations of all the jurisdictions for the year ahead. Additionally, the number of ANZ newspaper job advertisements remained near historically high levels, as did the DEWR skilled vacancy index.

The strong growth in economic activity over the past two years is not, however, reflected in the reported resident employment levels or the resident unemployment rate. In 2004-05, the ABS LFS reported a 2 per cent decline in resident employment, and continued to report negative growth (in year on year terms) through to December 2005. This divergence is also reflected in the resident unemployment rate, which increased by 1.1 percentage points to an annual average of 6.3 per cent in 2004-05, the highest level seen in the Territory since 2001-02. Since 2004-05, the resident unemployment rate has moderated to 5.6 per cent in the year to February 2006, largely as a result of a lower participation rate.

The ABS LFS measure of resident employment is a poor indicator of the number of jobs in the Territory economy because:

- the scope of the survey is limited to the ‘usually resident’ population; and
- the design of the survey includes very large standard errors for the Territory.

Resident Employment

The general standards and guidelines used by the ABS for measuring national labour statistics are set out in the International Labour Organisation Convention 160 and the International Conference of Labour Statisticians Resolution 170 of 1982 and relate to the economically active population. The economically active population refers to all people who, during a specified time, contribute to, or are available to contribute to, production of economic goods, as defined by the United Nations systems of national accounts. It does not relate to all the jobs in an economy, as it excludes domestic and personal services for consumption within the same household and voluntary unpaid work associated with community charity work.

The ABS LFS reports on those parts of the currently economically active population defined as employed, unemployed or not in the labour force. It does not report on the number of jobs in the economy, as is sometimes presumed. The scope of the LFS is limited to the civilian, usually resident, population of the Territory aged 15 years and over and does not include:

- fly in fly out (FIFO) personnel who are usually resident in other jurisdictions;
- full-time Australian defence personnel;
- personnel usually resident overseas and temporarily residing in Australia; and
- diplomatic personnel of overseas governments and non-Australian defence personnel (and their dependants) stationed in Australia.
Nationally, these excluded groups have a negligible impact on the number of jobs in the economy, as they make up a relatively small percentage of the Australian population. However in the Territory, due to its relatively small and transient population, these groups can account for a significant proportion of jobs. The exclusion of these groups from the scope of the ABS LFS leads to a significant differential between resident employment and the number of Territory jobs.

Historically, major construction and mining projects would involve a company investing large amounts of capital to form a community with facilities (housing, schools, roads) for employees and their families. In contrast, over the past decade, the worldwide trend has been to set up work camps in the area and employ workers on a FIFO basis. FIFO employment has proven to be a cost-effective way for a company to undertake large projects, where there is a limited supply of appropriately skilled labour, especially in remote, sparsely populated locations. The Territory’s relatively small population base makes it particularly suited for this type of employment, especially for major projects requiring specialised labour such as the construction of the Wickham Point LNG plant and the Alcan G3 refinery expansion.

For example, employment for the construction of the LNG plant totalled about 1750 employees in February 2005, of whom an estimated 930 were employed from outside the Territory on a FIFO basis. Therefore, only 820, or less than 50 per cent, would have the potential to be counted in the resident employment numbers reported by the ABS. The proportion of workers employed on a FIFO basis for the Alcan G3 refinery expansion is even greater. When employment on the project reaches its expected peak of around 1700 employees in 2006, Alcan anticipates that about 85 per cent of employees will be engaged on a FIFO basis.

Future major projects, such as the proposed $450 million condensate processing facility at East Arm and possible expansion of processing capacity at the LNG plant, are also likely to engage a significant number of employees on a FIFO basis.

Despite being an economically active section of the population and being defined as employed under international guidelines, full-time Australian defence personnel are not included in the scope of the ABS LFS. The guidelines allow for this exclusion as there is recognition that there may be difficulties administering a labour force survey to the armed forces (for both practical and security reasons).

Nationally, full-time Australian defence personnel total about 51 000 persons, equivalent to just 0.5 per cent of the Australian labour force. Therefore, any changes in personnel numbers would have a negligible impact on resident employment. In contrast, the number of full-time Australian defence personnel stationed in the Territory is currently around 5000 persons, which is equivalent to 4.7 per cent of the Territory labour force. Consequently, large changes in the number of Australian defence personnel, as occurred during the 1990s, have a substantial impact on residential employment in the Territory, but are not captured by the ABS LFS.

The LFS excludes backpackers and other extended stay visitors to the Territory who are usually resident overseas. These types of workers tend to be a significant source of labour during the peak months of the tourist season but are not included in the ABS survey of resident employment.

A disproportionately large number of non-Australian defence personnel (and their dependants) are stationed in the Territory compared to nationally. Although an exact number is unknown (for security reasons), 450 full-time United States defence personnel are estimated to be employed at the Joint Defence Facility at Pine Gap near Alice Springs. This represents a substantial number of jobs in Alice Springs that are not included in the scope of the LFS.
**Labour Market**

2006-07 budget The Economy

**ABS LFS Data Quality Issues**

In addition to the issue of scope that creates a discrepancy between the number of jobs and resident employment levels as reported by the ABS, there are also issues specifically related to the design and methodology of the ABS LFS that limits its accuracy for the Territory. The LFS is a sample survey and does not directly measure the whole population. Consistent with the method used for other jurisdictions, the ABS expands the survey results to conform to population distribution benchmarks generated from the Census of Population and Housing. The primary goal of the LFS is to provide reliable national estimates of key labour force parameters and, secondly, estimates for each state and territory.

Although the ABS samples 1 in 98 dwellings for the Territory, a relatively high sampling fraction, the resulting labour force estimates are still based on a relatively small sample size and are therefore volatile (that is, have very large sampling errors).

Volutility is made worse by the:

- heterogeneous nature of the population;
- constraints imposed on sampling design as a consequence of many dispersed remote communities; and
- transient nature of the population.

**Revised Standard Errors**

In August 2005, the ABS introduced new models for estimating standard errors. Although the ABS is confident the new models for calculating standard errors are more accurate, they have resulted in a very large increase in the standard errors for Territory estimates. Standard errors for national estimates, the ABS’s primary concern, have improved marginally, while for other jurisdictions only slight deterioration has occurred (Chart 4.1).

Such large standard errors significantly undermine the value that was previously placed on ABS resident employment and unemployment estimates for the Territory. In January 2006, the LFS estimate of Territory resident employment was 94 400 people, with a standard error of 4700 people and a 95 per cent confidence interval of 85 000 to 103 800. The 95 per cent confidence interval is the range within which we can be 95 per cent confident that the true value lies, and is equivalent to the estimate plus or minus two standard errors. Confidence intervals of this width are of no value for interpreting short-term changes in employment levels.

Combined with the large number of employed persons not included in the scope of the LFS, the volatility of reported data leaves the Territory with no robust estimates or indicators of the number of jobs in the Territory.
ABS-Reported Resident Employment

Notwithstanding the limitations of the ABS-reported resident employment data for the Territory, an analysis of the yearly data and longer term trends has some merit.

Over the last 20 years, the size of the labour force has exhibited significant volatility, consistent with the transient nature of the Territory workforce and population. The size of the labour force is heavily influenced by prevailing economic conditions and tends to be pro-cyclical.

After three years of negative growth, the Territory labour force is starting to increase, with growth estimated at 1.6 per cent in 2005-06, although the Territory labour force remains 3.2 per cent below its 2001-02 peak.

<table>
<thead>
<tr>
<th>Year ended June</th>
<th>Civilians 15 yrs and Over 000</th>
<th>Labour Force % Change</th>
<th>Participation Rate %</th>
<th>Employed Persons 000</th>
<th>Unemployment Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>105.4</td>
<td>5.8</td>
<td>75.1</td>
<td>71.2</td>
<td>14.0</td>
</tr>
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<td>3.6</td>
<td>78.2</td>
<td>71.6</td>
<td>73.3</td>
</tr>
<tr>
<td>1988</td>
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<td>0.9</td>
<td>74.4</td>
<td>67.6</td>
<td>67.2</td>
</tr>
<tr>
<td>1989</td>
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<td>80.9</td>
<td>72.2</td>
<td>75.6</td>
</tr>
<tr>
<td>1990</td>
<td>114.7</td>
<td>2.5</td>
<td>83.2</td>
<td>72.5</td>
<td>77.7</td>
</tr>
<tr>
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<td>83.0</td>
<td>71.1</td>
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<td>86.2</td>
<td>73.0</td>
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<td>83.1</td>
<td>69.9</td>
<td>76.4</td>
</tr>
<tr>
<td>1994</td>
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<td>89.1</td>
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<td>90.6</td>
<td>70.6</td>
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<td>92.1</td>
<td>70.1</td>
<td>87.0</td>
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<td>1998</td>
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<td>94.5</td>
<td>70.3</td>
<td>89.8</td>
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<td>1999</td>
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<td>2.2</td>
<td>98.5</td>
<td>71.7</td>
<td>94.5</td>
</tr>
<tr>
<td>2000</td>
<td>139.9</td>
<td>1.9</td>
<td>96.6</td>
<td>69.0</td>
<td>92.3</td>
</tr>
<tr>
<td>2001</td>
<td>141.5</td>
<td>1.1</td>
<td>99.0</td>
<td>69.9</td>
<td>93.4</td>
</tr>
<tr>
<td>2002</td>
<td>142.5</td>
<td>0.7</td>
<td>105.6</td>
<td>74.1</td>
<td>98.4</td>
</tr>
<tr>
<td>2003</td>
<td>143.0</td>
<td>0.3</td>
<td>104.4</td>
<td>73.0</td>
<td>98.3</td>
</tr>
<tr>
<td>2004</td>
<td>143.3</td>
<td>0.2</td>
<td>101.4</td>
<td>70.8</td>
<td>96.1</td>
</tr>
<tr>
<td>2005</td>
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<td>1.2</td>
<td>100.5</td>
<td>69.3</td>
<td>94.2</td>
</tr>
<tr>
<td>2006e</td>
<td>148.4</td>
<td>2.3</td>
<td>102.2</td>
<td>69.6</td>
<td>96.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compound Annual Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-86 to 2005-06e</td>
</tr>
<tr>
<td>2000-01 to 2005-06e</td>
</tr>
</tbody>
</table>

Source: Northern Territory Treasury, ABS Cat. No. 6202.0

Employment

While recognising the limitations of ABS-reported resident employment, it is influenced by the prevailing economic conditions of the day and external factors. The clearest example of this is the effect of the defence build up in the mid 1990s when, despite defence personnel being excluded from ABS figures, the Territory recorded employment grown of more than 10 per cent in 1994-95 (Table 4.1).
However, seemingly at odds with the prevailing strength in the Territory economy, resident employment fell by 2 per cent in 2004-05. With economic growth continuing in 2005-06, resident employment rebounded with estimated growth of 2.1 per cent.

Given the small size of the Territory’s labour force, the Territory unemployment rate can be volatile; nonetheless the Territory unemployment rate has tended to follow national cycles for much of the past two decades. Since 1999, the Territory unemployment rate has moved away from the national cycle and exhibited a much greater level of volatility, reflecting a number of Territory-specific drivers.

Despite strong economic conditions, the Territory average unemployment rate increased from 5.2 per cent to 6.3 per cent in 2004-05, the key driver being an increase in the participation rate. The continued stimulus provided by the Darwin Waterfront Development and Alcan G3 refinery expansion is expected to lead to a reduction in the Territory unemployment rate to an estimated 6.0 per cent in 2005-06.

**State Final Demand and Employment Growth**

The scope of the ABS LFS, combined with issues of volatility and reliability of the resident employment series, can sometimes create a ‘contradictory’ picture of the state of the Territory economy, particularly evident when resident employment is analysed in conjunction with other economic activity data.

Employment is pro-cyclical, increasing during periods of strengthening economic activity and contracting during periods of low growth. However, economic activity indicators in smaller jurisdictions can be impacted by the purchase of large, sometimes one-off items. An example for the Territory was the *Northern Endeavour*, an offshore floating production storage and offload facility purchased to develop the Laminaria-Corallina oilfields. This purchase was recorded in the ‘business investment’ component of Territory SFD in 1998-99. Due to the relatively small size of the Territory economy, it had a significant impact on SFD growth. However, as construction of machinery and equipment for the Laminaria-Corallina oilfields was undertaken primarily overseas, it had little impact on resident employment.

The importation of pre-assembled modules (PAMs) for the Alcan G3 refinery expansion from 2005 to late 2006 has led to a similar outcome, that is, a relatively larger impact on Territory SFD than on resident employment. In fact, resident employment was reported to have declined by 0.1 per cent in calendar year 2005, in apparent contradiction to the 11 per cent growth in Territory SFD over the same period (Chart 4.2).

The Alcan G3 refinery expansion has had a significant impact on the Territory businesses involved, with more than $70 million in purchase orders and contracts being awarded in the 15 months to December 2005. An additional $40 million will be invested in Darwin’s PAM yard over the life of the project, with around seven PAMs being constructed in Darwin. Businesses involved are reporting that they have exhausted the local supply of skilled labour and are recruiting workers from interstate and overseas. Nevertheless, the overwhelming majority of work done constructing PAMs will occur in Malaysia, Thailand and New South Wales. Once the PAMs are transported to Gove and connected to the existing refinery, the investment component will be attributed to Territory SFD. This will boost SFD growth while at the same time having little impact on Territory resident employment.
The Territory’s Labour Market Profile

The Territory’s labour market profile differs significantly from that of the rest of Australia, largely as a result of remoteness, transience and seasonality of labour demand.

Remoteness

About 24 per cent (or 47,948) of the Territory’s resident population lives outside major regional centres and is therefore considered to live in a ‘remote’ area. Of this total, 32,125 people are Indigenous, and 15,823 are non-Indigenous. Lacking critical mass, employment opportunities are limited in many of these areas. Additionally, remote areas, by definition, are geographically distant from the major employment markets. Creating links between residents of remote areas and employment markets is a major challenge.

Young and Mobile Workforce

Compared to the rest of Australia, the Territory attracts a disproportionately large number of young, mobile workers who often view their stay as short to medium term. This is reflected in large interstate migration flows, whereby about 8 to 10 per cent of the Territory’s population relocates interstate each year, around four times the level of other jurisdictions (apart from the Australian Capital Territory). This leads to a high rate of employee turnover which imposes significant recruitment and training costs on employers. It also results in a loss of expertise and skill shortages, which can be accentuated by large projects requiring specialised labour.

Seasonality of Demand

Consistent with other jurisdictions, a proportion of the Territory’s economic activity and demand for labour is seasonal, in particular, activity and employment in the tourism and agricultural industries. However, these seasonal effects can be exacerbated in the Territory due to the relatively small size of the resident population and pool of available labour. These two industries have historically supplemented their workforce using backpackers and other non-resident labour to fill vacancies.
Skill Shortages

Major projects currently under way will exacerbate skill shortages in some industries in the short to medium term. The Territory Government’s policy Jobs Plan – Building the Northern Territory Workforce, aims to reduce the shortage of skilled tradespeople by expanding pre-vocational training for apprentices, providing financial incentives for employers to take on apprentices and increasing the number and range of school-based apprenticeships.

In the 2005-06 Budget, the Territory Government committed to begin training 10 000 Territorians over four years. In 2005, more than 2600 Territorians commenced training, bringing the total number of trainees to 3152. Among current trainees, 1261 were apprentices in traditional trades, 1024 were women and 693 were Indigenous.

In early 2005, to address the immediate skilled labour shortages, the Territory Government introduced a Territory Skilled Worker campaign that featured a national, including New Zealand, advertising campaign designed to attract skilled workers and their families to the Territory. Highlighting the success of the campaign, 196 skilled migrants moved to the Territory in 2004-05, up 133 per cent from 2003-04. This success continued into 2005-06 with an additional 157 skilled workers migrating to the Territory in the first six months of the financial year.

Community Development Employment Projects

A significant proportion of Aboriginal and Torres Strait Islanders in the Territory are employed under the Community Development Employment Projects (CDEP) scheme, funded by the Australian Government. Under the scheme, Indigenous communities and organisations receive a grant, similar in value to the collective unemployment benefit entitlements of participating community members, in order to undertake a range of community development projects. CDEP participants are employed by communities to undertake work in return for a wage at least equivalent to the unemployment benefit and are counted as employed in the ABS LFS. In the past nine years, CDEP participant numbers have increased from about 6000 to the current level of about 8500 participants. This represents about 8.5 per cent of the Territory’s labour force, a significantly higher proportion than other jurisdictions.

Since 2005, the Department of Employment and Workplace Relations has been reforming the CDEP program to focus on employment, community activities and business development. The likely impact of these reforms on CDEP numbers in the Territory is unknown.

Employment by Industry

The Territory’s labour market profile also differs from the national profile in its distribution of employment across industries (Table 4.2).
Table 4.2: Employment by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Australia Employment Level</th>
<th>Australia Proportion of Total</th>
<th>Northern Territory Employment Level</th>
<th>Northern Territory Proportion of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>330.8</td>
<td>4.0</td>
<td>2.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Mining</td>
<td>75.2</td>
<td>0.9</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,010.2</td>
<td>12.2</td>
<td>4.1</td>
<td>4.5</td>
</tr>
<tr>
<td>Services (including defence)</td>
<td>6,689.6</td>
<td>80.6</td>
<td>78.9</td>
<td>87.2</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>60.7</td>
<td>0.7</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Construction</td>
<td>558.6</td>
<td>6.7</td>
<td>5.6</td>
<td>6.2</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>437.1</td>
<td>5.3</td>
<td>3.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Retail trade</td>
<td>1,211.3</td>
<td>14.6</td>
<td>10.7</td>
<td>11.9</td>
</tr>
<tr>
<td>Accommodation, cafes and restaurants</td>
<td>410.6</td>
<td>4.9</td>
<td>5.4</td>
<td>6.0</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>355.9</td>
<td>4.3</td>
<td>4.8</td>
<td>5.3</td>
</tr>
<tr>
<td>Communication services</td>
<td>148.5</td>
<td>1.8</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>312.4</td>
<td>3.8</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Property and business services</td>
<td>920.3</td>
<td>11.1</td>
<td>7.7</td>
<td>8.5</td>
</tr>
<tr>
<td>Government administration</td>
<td>307.2</td>
<td>3.7</td>
<td>9.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Defence</td>
<td>62.2</td>
<td>0.8</td>
<td>6.1</td>
<td>6.8</td>
</tr>
<tr>
<td>Education</td>
<td>595.4</td>
<td>7.2</td>
<td>7.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Health and community services</td>
<td>806.2</td>
<td>9.7</td>
<td>8.0</td>
<td>8.8</td>
</tr>
<tr>
<td>Cultural and recreational services</td>
<td>202.5</td>
<td>2.4</td>
<td>2.7</td>
<td>2.9</td>
</tr>
<tr>
<td>Personal and other services</td>
<td>300.7</td>
<td>3.6</td>
<td>4.3</td>
<td>4.8</td>
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<tr>
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<td>1.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>8,298.2</td>
<td>100.0</td>
<td>90.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: ABS 2001 Census of Population and Housing

Services

A significantly higher proportion of the Territory workforce is employed in the services sector compared to nationally. The 2001 Census of Population and Housing reported that 87 per cent of employment in the Territory was in service industries compared to 80 per cent nationally. The services industries that dominate in the Territory are the public sector (government administration, education, health and community services), retail trade, property and business services and defence (Table 4.2).

Government Administration

In 2001, employment in government administration in the Territory accounted for about 11 per cent of total employment compared to only 4 per cent nationally. The high share of employment attributed to government administration in the Territory reflects the diseconomies of providing public services to a small and widely dispersed population and the high needs of the Territory’s large Indigenous population.

Defence

During the 1990s, the Australian Government sought to relocate substantial defence resources to the Territory. This resulted in the Army Presence in the North program which saw the number of defence personnel, including civilians, stationed in the Territory increase from around 2300 in 1990 to 6149 in 2001. Consequently, the proportion of Territory residents employed in defence over this period increased to 6.8 per cent compared to a national increase of 0.8 per cent.

Manufacturing

Historically, the manufacturing sector has employed a relatively large proportion of the national workforce in a diverse range of industries. In the Territory, however, remoteness from major markets and a small population base has resulted in a relatively small manufacturing sector and a much lower proportion of people employed compared to the national proportion (one-third of the national figure).
Mining
Reflecting the Territory’s abundant mineral and energy resources, the proportion of people employed in the mining industry is almost three times higher than nationally. Given record commodity prices and exploration expenditure in the Territory in the past year, a surge in mining activity and employment is expected at some time in the future.

Industrial Relations and Welfare Reforms
In late 2005, the Australian Government’s Workplace Relations Amendment (Work Choices) Act 2005 was passed. It includes the removal of unfair dismissal protection for employees of companies with 100 employees or less. The likely impact of the changes, which have been promoted by the Australian Government as improving simplicity and flexibility, are uncertain. The complexity of the legislation and ongoing uncertainty regarding its constitutional validity has resulted in a muted response from business to date.

Welfare to Work
In the 2005-06 Budget, the Australian Government announced a package of measures aimed at increasing the Australian labour force participation rate. Achieving this goal will become increasingly important as the Australian population ages and growth in the working age population is exceeded by growth in the older segments of the population, particularly as the ‘baby boom’ generation retires. The legislation specifically addressed the employment requirements associated with the receipt of income support. The ‘welfare to work’ measures, to be fully implemented from 1 July 2006, will seek to increase the participation rate of older Australians, parents, people with a disability and the long-term unemployed. Although in the short term this is expected to have a negligible impact on employment growth in the Territory, it is expected to result in an expansion of the labour force and an increase in the long-term average participation rate.

Outlook
Understanding the labour market within the Territory is not possible without analysis of several economic indicators and related data sources. Nonetheless, forecasting is based on LFS data and the reader should be aware of volatility and accuracy issues.

Resident employment growth of 2.3 per cent is forecast for 2006-07. The completion of construction of the Alcan G3 refinery expansion will have little impact on reported resident employment levels as about 85 per cent of the labour force is employed on a FIFO basis. The Darwin Waterfront Development will approach peak employment levels by the end of 2006-07 and is expected to employ substantially more resident Territorians than the Alcan G3 expansion project. Resident employment will also be boosted by the Defence Housing Authority and Canberra Investment Corporation joint venture residential development in the new Darwin suburb of Lyons, ongoing construction of major residential apartment complexes in Darwin’s central business district and the Darwin Chinatown commercial development. In Alice Springs, employment will be supported by ongoing work for the sealing of the Mereenie Loop road and residential construction at the new suburb of Stirling Heights. The continuing rebound of visitors, in particular international visitors, is also expected to contribute significantly to employment in the Territory.
Prices and Wages

Key Points

- In 2005, Darwin’s Consumer Price Index (CPI) increased by 2.6 per cent, compared to a 2.7 per cent increase nationally.
- Inflation in the Territory is expected to continue to track closely to the national rate, and remain at the higher end of the Reserve Bank’s target band of 2 to 3 per cent in the short to medium term.
- Darwin CPI growth of 2.9 per cent and 2.6 per cent is forecast for 2006 and 2007 respectively.
- In 2005, the Territory Labour Price Index (LPI) increased by 4.5 per cent compared to 4.1 per cent nationally.
- Strong wages growth in the Territory and nationally in 2005 reflects the tight labour market and skilled labour shortages, especially in construction, mining, education and health.
- Wages growth in the Territory is expected to moderate in 2006 and 2007, but remain around 4 per cent as economic activity remains strong and skilled labour shortages persist.

Prices and wages in the Territory generally move in line with national trends. Nevertheless, there have been short run variations that reflect periods of weaker or stronger economic growth in the Territory compared to growth experienced at the national level. This was particularly evident in 2005, with stronger economic growth in the Territory than nationally, leading to higher wages and prices outcomes.

Consumer Price Index

In 2005, Darwin’s Consumer Price Index (CPI) increased by 2.6 per cent in 2005 compared to a 2.7 per cent increase nationally (Table 5.1). This is in sharp contrast to the previous five calendar years where year on year CPI inflation in the Territory had been, on average, 0.6 percentage points below the national level, due in part to the weaker local economy. The convergence of Territory and national inflation in 2005 was primarily due to stronger growth in the Territory economy, especially in the construction and property sectors. The national skills shortage has been more pronounced in the Territory and has also contributed to the narrowing CPI differential.
### Table 5.1: Consumer Price Index

<table>
<thead>
<tr>
<th></th>
<th>Consumer Price Index</th>
<th>Annual % Change</th>
<th>Year on Year % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Darwin</td>
<td>8 capitals</td>
<td>Darwin</td>
</tr>
<tr>
<td>December 1995</td>
<td>119.20</td>
<td>118.5</td>
<td>4.8</td>
</tr>
<tr>
<td>December 1996</td>
<td>121.70</td>
<td>120.3</td>
<td>2.1</td>
</tr>
<tr>
<td>December 1997</td>
<td>120.80</td>
<td>120.0</td>
<td>-0.7</td>
</tr>
<tr>
<td>December 1998</td>
<td>122.70</td>
<td>121.9</td>
<td>1.6</td>
</tr>
<tr>
<td>December 1999</td>
<td>123.60</td>
<td>124.1</td>
<td>0.7</td>
</tr>
<tr>
<td>December 2000</td>
<td>130.6</td>
<td>131.3</td>
<td>5.7</td>
</tr>
<tr>
<td>December 2001</td>
<td>133.5</td>
<td>135.4</td>
<td>2.2</td>
</tr>
<tr>
<td>December 2002</td>
<td>136.2</td>
<td>139.5</td>
<td>2.0</td>
</tr>
<tr>
<td>December 2003</td>
<td>138.5</td>
<td>142.8</td>
<td>1.7</td>
</tr>
<tr>
<td>December 2004</td>
<td>141.1</td>
<td>146.5</td>
<td>1.9</td>
</tr>
<tr>
<td>December 2005</td>
<td>145.4</td>
<td>150.6</td>
<td>3.0</td>
</tr>
<tr>
<td>December 2006e</td>
<td>149.8</td>
<td>155.3</td>
<td>3.0</td>
</tr>
<tr>
<td>December 2007f</td>
<td>153.4</td>
<td>159.2</td>
<td>2.4</td>
</tr>
</tbody>
</table>

**Compound Annual Growth %**

<table>
<thead>
<tr>
<th></th>
<th>Darwin</th>
<th>8 capitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96 to 2005-06e</td>
<td>2.1</td>
<td>2.6</td>
</tr>
<tr>
<td>2000-01 to 2005-06e</td>
<td>2.3</td>
<td>2.8</td>
</tr>
</tbody>
</table>

*e: estimate; f: forecast*

Source: Northern Territory Treasury, ABS Cat. No. 6401.0

In the long run, slower price growth in the Territory compared to nationally probably reflects improvements in transport infrastructure and the impact of population growth on improving the feasibility of local supply.

**Components**

Reflecting the strong performance of the property and construction markets in the Territory in 2005, the housing, and household contents and services, categories contributed significantly more to CPI growth in the Territory than nationally (Chart 5.2). Increasing transportation (including petrol) prices also contributed more, reflecting the lower levels of competition in the Territory. Although the Adelaide to Darwin rail link is expected to lower transportation costs, including costs built into the prices of consumer goods, it is still too early to assess its impact.

Communication, clothing and footwear made negative contributions to CPI growth in the Territory and nationally. This primarily reflects the maturing (and saturation) of the mobile phone market and the impact of competition from China and other emerging economies on lower imported and local textile manufacturing prices.
The September quarter 2005 CPI release included an update of the CPI component weights to better reflect current household expenditure patterns. The changes, which are part of the Australian Bureau of Statistics (ABS) 15th series review, reflect the outcome of the 2003-04 Household Expenditure Survey (HES) and the inclusion of financial services (such as bank fees and credit card charges) in the CPI basket. In August 2005, the ABS published a summary of results from the 2003-04 HES, which collects information on the expenditure, income, net worth and other characteristics of Australian households (Table 5.2).

### Table 5.2: Average Weekly Expenditure by Category and Household Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current housing costs (selected dwellings)</td>
<td>149.63</td>
<td>107.40</td>
<td>39.3</td>
<td>17.1</td>
</tr>
<tr>
<td>Domestic fuel and power</td>
<td>22.43</td>
<td>18.57</td>
<td>20.8</td>
<td>22.7</td>
</tr>
<tr>
<td>Food and non-alcoholic beverages</td>
<td>157.57</td>
<td>134.58</td>
<td>21.7</td>
<td>13.7</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>35.52</td>
<td>20.63</td>
<td>72.2</td>
<td>54.5</td>
</tr>
<tr>
<td>Tobacco products</td>
<td>17.16</td>
<td>10.04</td>
<td>70.9</td>
<td>51.3</td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td>26.66</td>
<td>35.67</td>
<td>-25.3</td>
<td>-9.7</td>
</tr>
<tr>
<td>Household furnishings and equipment</td>
<td>54.09</td>
<td>44.45</td>
<td>21.7</td>
<td>5.0</td>
</tr>
<tr>
<td>Household services and operation</td>
<td>55.65</td>
<td>43.48</td>
<td>28.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Medical care and health expenses</td>
<td>31.41</td>
<td>35.03</td>
<td>-10.3</td>
<td>-14.8</td>
</tr>
<tr>
<td>Transport</td>
<td>141.63</td>
<td>123.33</td>
<td>14.8</td>
<td>5.0</td>
</tr>
<tr>
<td>Recreation</td>
<td>121.00</td>
<td>95.88</td>
<td>26.2</td>
<td>55.5</td>
</tr>
<tr>
<td>Personal care</td>
<td>15.26</td>
<td>15.14</td>
<td>0.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Miscellaneous goods and services</td>
<td>78.38</td>
<td>62.98</td>
<td>24.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Total goods and services expenditure</td>
<td>906.40</td>
<td>747.18</td>
<td>21.3</td>
<td>14.5</td>
</tr>
<tr>
<td>Mean gross household income per week</td>
<td>1 196.07</td>
<td>957.17</td>
<td>25.0</td>
<td>16.9</td>
</tr>
</tbody>
</table>

Source: ABS Cat. Nos. 65350, 65350.055.001
In 2003-04, Darwin average weekly household income of $1415 remained above the eight capital cities average of $1210, but the differential declined significantly from 25 per cent in 1998-99 to 17 per cent in 2003-04. The decline reflects strong economic conditions in the Territory during the 1998-99 reference period, which was followed by a period of relative weakness. The 2003-04 reference period captures the beginning of a recovery phase.

The differential between average weekly household expenditure in Darwin and the eight capital cities average declined from 21 per cent in 1998-99 to 15 per cent in 2003-04, mirroring the decline in the average income differential. A significant factor in the decline was weaker growth in current housing costs, which increased by 25 per cent in Darwin compared to 49 per cent for the eight capital cities. This reflects the strong growth in the property market and residential construction nationally, which was not observed in the Territory during this time. Consistent over both survey periods, the additional weekly earnings in Darwin relative to the eight capital cities is mainly allocated to additional expenditure rather than savings.

Housing

The high contribution of housing and household contents and services to CPI growth in Darwin compared to the eight capital cities in 2005 reflects strong growth in property prices and residential construction in the Territory.

House and unit prices increased solidly across the Territory in 2005. The median house price in Darwin increased by 26 per cent to $328 000, while the unit and townhouse median price increased by 38 per cent to $242 000. Consistent with these price rises, the Real Estate Institute of Australia reported a 2.5 per cent decline in housing affordability in Darwin through the year to December 2005. Housing affordability is determined by average monthly loan repayments and median weekly family income.

Fuel

Crude oil prices, in Australian dollar terms, increased by 52 per cent in 2005. The sharp increase was primarily associated with:

- strong global demand (notably from China);
- limited excess capacity coupled with supply disruptions (following Hurricane Katrina);
- speculative holdings by investment funds;
- geopolitical instability; and
- a 6 per cent depreciation of the Australian dollar against the United States (US) dollar.

Continued steady growth in global demand for oil, combined with only modest increases in production capacity and continuing geopolitical instability, are expected to keep crude oil prices around US$60 on average through 2006.
On average, retail fuel prices in Darwin tend to be about 8 per cent higher than the national average.

Higher retail prices reflect a smaller population and lack of economies of scale in sales volumes. Higher fuel prices in the Territory also reflect the absence of a significant independent discount chain, the absence of any large-scale petrol refinery (resulting in higher freight costs) and the absence of regular price discounting cycles as observed in other capital cities. The expansion of independent retailer United Petroleum in the Top End market and the increased presence of supermarket fuel retailing may promote increased price competition in the retail fuel market in the short term, with the likelihood of some industry rationalisation in the longer term.

In 2005, the average unleaded petrol price for Darwin increased by 12.3 cents per litre to 123.1 cents per litre, while the average price in eight capital cities increased by 15.9 cents per litre to 113.2 cents per litre (Chart 5.3).

In February 2005, the Territory Government commissioned an independent inquiry into petrol prices. It concluded that although Territory motorists pay consistently higher prices for fuel than motorists in other comparably sized locations in Australia, the differential was not ‘unreasonable.’ The inquiry made a series of recommendations focused on improving consumer awareness to encourage market efficiency.

Taxation of fuel in the Territory is the third lowest in the nation behind Queensland and Tasmania, with the Territory Government providing a retail fuel rebate of 1.1 cents per litre. The Australian Government has announced that it will phase out its Fuel Sales Grant Scheme from July 2006, with the savings to be redirected to the national Roads to Recovery Program. The scheme provides rebates of between 1 and 3 cents per litre in rural and remote areas.
Grocery Prices

Since 2000, Northern Territory Treasury has conducted a six-monthly survey of grocery prices in major Territory centres, plus Cairns and Mount Isa for comparative purposes. The latest survey was conducted in December 2005 (Table 5.3).

<table>
<thead>
<tr>
<th></th>
<th>December 2004</th>
<th>June 2005</th>
<th>December 2005</th>
<th>Annual change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darwin</td>
<td>168</td>
<td>171</td>
<td>174</td>
<td>3.2</td>
</tr>
<tr>
<td>Alice Springs</td>
<td>162</td>
<td>164</td>
<td>167</td>
<td>3.0</td>
</tr>
<tr>
<td>Katherine</td>
<td>165</td>
<td>172</td>
<td>174</td>
<td>5.0</td>
</tr>
<tr>
<td>Yulara</td>
<td>212</td>
<td>203</td>
<td>219</td>
<td>3.2</td>
</tr>
<tr>
<td>Nhulunbuy</td>
<td>195</td>
<td>204</td>
<td>202</td>
<td>3.6</td>
</tr>
<tr>
<td>Cairns</td>
<td>166</td>
<td>166</td>
<td>168</td>
<td>1.1</td>
</tr>
<tr>
<td>Mount Isa</td>
<td>167</td>
<td>167</td>
<td>170</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: Northern Territory Treasury

In December 2005, the cost of a standard basket of groceries increased by 3.0 per cent or more across all Territory centres surveyed, when compared to December 2004. Higher freight costs associated with fuel price rises may have contributed to this increase. Fuel prices in 2005 (as reported by the Australian Automobile Association) in Darwin, Alice Springs and Katherine increased by more than 10.0 per cent over this period.

In Darwin the cost of the basket increased by 3.2 per cent from the December 2004 survey. This is marginally higher than the increase in the Darwin CPI of 3.0 per cent over this period, but is equal to the increase in the food category of the CPI. Fruit and vegetable prices, which can be volatile between quarters and even between years, increased by 8.0 per cent and were the major contributor to prices growth in the basket over the year.

Of all Territory centres surveyed, Alice Springs recorded the lowest average prices in the latest survey (3.7 per cent lower than in Darwin). Darwin was the next cheapest Territory centre surveyed, followed by Katherine. Nhulunbuy and Yulara were more expensive than Darwin by 16 per cent and 26 per cent respectively. Higher costs in these two centres reflect additional freight and storage costs, and a lack of economies of scale and competition. The average cost of the basket of goods in comparable cities in Queensland was similar to their Territory counterparts, that is, Cairns was 3.4 per cent cheaper than Darwin, and Mount Isa was 1.7 per cent more expensive than Alice Springs. Further information on the Grocery Price Survey can be found at www.nt.gov.au/ntt.

Exchange Rates

Changes in the exchange rate affect the prices of imported and, to a lesser extent, domestically produced consumer goods and services.

2005

On a trade weighted basis (TWI), the Australian dollar traded in a narrow range over 2005 and ended the year only marginally lower than a year earlier. This reflects the differing performance of the Australian dollar relative to major world currencies, with the Australian dollar depreciating against the US dollar and a number of Asian currencies while appreciating against the Euro and the Yen (Chart 5.4).
The relative stability of the Australian dollar was due to two powerful offsetting forces:

- The value of the Australian dollar was supported by strong growth in export prices (particularly commodities) combined with a decline in import prices (especially manufactured goods from China) that resulted in Australia recording its highest terms of trade (the ratio of export prices to import prices) in 30 years.

- Downward pressure resulted from a narrowing of the interest rate differential between Australia and other countries (particularly the US). The differential between the US and Australian benchmark rate narrowed by 2 percentage points in 2005, and was the primary driver behind the 6 per cent depreciation in the Australian dollar against the US dollar over this period.

Wages

Solid wages growth in 2005, both in the Territory and nationally, reflect tight labour market conditions and skilled labour shortages prevalent throughout the year, especially in the construction, mining, education and health sectors. This was particularly pronounced in the Territory, where buoyant property and construction markets, a shortage of medical professionals and enterprise bargaining outcomes for public servants led to wages growth, as reflected in the Labour Price Index (LPI), of 4.5 per cent in the year (Table 5.4).

<table>
<thead>
<tr>
<th>Northern Territory</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>2.6</td>
<td>2.9</td>
<td>3.2</td>
<td>3.7</td>
<td>3.3</td>
<td>4.8</td>
</tr>
<tr>
<td>Private</td>
<td>2.6</td>
<td>2.9</td>
<td>3.1</td>
<td>2.6</td>
<td>3.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Total</td>
<td>2.6</td>
<td>2.9</td>
<td>3.1</td>
<td>3.1</td>
<td>3.3</td>
<td>4.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Australia</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>2.8</td>
<td>3.7</td>
<td>3.3</td>
<td>4.4</td>
<td>4.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Private</td>
<td>3.1</td>
<td>3.5</td>
<td>3.3</td>
<td>3.3</td>
<td>3.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Total</td>
<td>3.0</td>
<td>3.6</td>
<td>3.2</td>
<td>3.6</td>
<td>3.6</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of Australia

Source: ABS Cat. No. 6345.0
Prices and Wages

In 2005, the public sector LPI recorded an increase of 4.8 per cent, reflecting the implementation of a number of enterprise bargaining agreements (EBAs) that provided wage increases significantly above CPI in their first year. The Northern Territory Public Sector 2004-2007 Certified Agreement, covering about 9500 Northern Territory public servants, was certified on 21 January 2005. It included a 5 per cent increase in salaries in the first year, backdated to August 2004, and 3 per cent in both August 2005 and August 2006. Nurses, teachers and members of the police and fire services also received significantly above CPI wage increases in 2005.

Wages growth in the Territory private sector in 2005, while not as strong as growth in the public sector, increased at a greater rate in the Territory than nationally. The private sector LPI for the Territory increased by 4.1 per cent compared to 3.9 per cent nationally. Chronic skills shortages in growth industries such as construction and mining, combined with labour demand from major construction projects such as the Alcan G3 refinery expansion at Gove and the liquefied natural gas plant at Wickham Point, were instrumental in raising the benchmark wage rate.

In 2005, Territory average weekly full-time adult earnings (AWFTE) increased by 6.9 per cent to $1098, above the national average of $1078. Growth in Territory AWFTE has exceeded national growth since early 2004, largely as a result of the impact of major mining and energy projects, which offer higher wages to attract interstate workers. AWFTE data should be viewed with caution as, unlike the LPI, which is designed to measure changes in the cost of employing a constant quantity and quality of labour, the AWFTE measure of wages is heavily influenced by compositional changes in the survey sample.

Outlook

A number of factors are expected to continue to put upward pressure on inflation nationally and in the Territory in 2006-07.

- Interest rate differentials between Australia and a number of countries are likely to narrow further, most notably the differential between Australia and the United States, putting downward pressure on the Australian dollar.
- Crude oil prices are expected to remain high at above US$60 throughout this period.
- Ongoing skilled labour shortages will continue to put upward pressure on aggregate wages growth and encourage price inflation.

The main factors likely to offset this upward pressure on inflation are:

- the increased likelihood of at least one 0.25 per cent increase in official interest rates during this period; and
- the continued global downward pressure on prices of manufactured products from low-cost producing countries, especially China.

The Territory’s inflation rate is expected to continue to track closely to the national rate, and remain at the higher end of the Reserve Bank’s target band of 2 to 3 per cent in the short to medium term.

Wages growth in the Territory is expected to moderate in 2006 and 2007 as higher EBA-negotiated wage increases for the majority of Northern Territory public servants in 2005 are included in the base and construction work for the Alcan G3 refinery expansion is completed. Nevertheless, the LPI for the Territory is expected to remain above 4 per cent as overall economic activity remains robust and skilled labour shortages persist.
Chapter 6 External Economic Environment

Key Points

- Global economic conditions are expected to remain favourable for the Australian economy.
- Countries that are key destinations for Territory exports are expected to continue to experience robust economic growth.
- Risks to the generally positive outlook include the possibility of inflationary pressures leading to an increase in interest rates.

Demand for Territory goods both internationally and from other Australian states and territories is very important for the Territory economy. Overseas demand constitutes almost 20 per cent of Territory final demand, while interstate demand accounts for a further 10 per cent.

Major Territory exports include crude oil, mineral ores, live cattle and tourism-related services. Liquefied natural gas (LNG) is a new major export for the Territory, with the first shipment to Japan in February 2006. The major destination markets for mineral ores are the United States (US), China and Japan. Live cattle are exported mainly to the Philippines and Indonesia. Oil is exported primarily to Singapore, China, the US and South Korea. International visitors come primarily from Europe, Japan and North America. Table 6.1 provides a summary of the economic outlook for the major destinations of Territory exports.

The Australia-US Free Trade Agreement signed on 1 January 2005 is expected to benefit the Australian economy with increased opportunities for Australian exporters and increased investment in the Australian economy. Many of the Territory’s primary products are exported to Asia for use in the manufacture of goods that are subsequently exported worldwide. Exports to Asia are one of the key links through which global economic conditions affect the Territory economy. Expanded market opportunities also continue to be explored under the free trade agreements with both Singapore (agreement began in 2003) and Thailand (agreement began in 2005).

Global Economy

Global economic conditions remained favourable throughout 2005, with strong growth in the US, China and India, while the situation in Japan appears to be improving following several years of deflation and sluggish growth. Consensus Economics estimates world economic growth of 3.3 per cent in 2005.

The strength of the global economy has led to a significant and sustained increase in commodity prices, which is largely responsible for the current strength of the Australian and Territory economies. The impact of the significant increase in oil prices in recent years has been less than the increases in the 1970s, reflecting more efficient energy use in most major industrial nations.

Risks

Potential risks to the global economy include major terrorist attacks, avian influenza and political instability in the Middle East and other major oil-producing countries. The magnitude of the US current account deficit is a medium-term risk for the US economy.

In the longer term, demographic changes and the ageing of the population are risks for many European countries, particularly as they impact on the dependency ratio, that is, the number of people aged over 65 years compared to the working age population.
Australian Economy

In 2005, gross domestic product (GDP) grew by 2.5 per cent. This was less than the growth in domestic final demand of 4.1 per cent over the same period. The difference in these two measures of growth is mainly due to the trade deficit, and as a result annual GDP growth has not fully reflected the strength of the domestic economy.

Record low unemployment was reported throughout 2005, along with solid employment growth. Inflation remained within the Reserve Bank’s target range of 2 to 3 per cent, helped by the appreciation of the Australian dollar making imports more affordable and offsetting prices growth in domestically-produced goods and services. Interest rates have remained unchanged since the 0.25 per cent increase in March 2005.

Although still a drag on the domestic economy, the trade deficit retreated from the historic high recorded in the first quarter of 2005, benefiting from record high commodity prices that supported the value of exports.

The housing market continued to weaken, particularly in New South Wales, and increased oil and fuel prices kept consumer confidence subdued. However, businesses benefited from the global resources boom, and growth in business investment was a key contributor to GDP growth in 2005.

The international environment has been extremely favourable, particularly in relation to Australia’s terms of trade (that is, the ratio of export prices to import prices), which in 2005 were at their highest level since 1974, in line with booming commodity prices and the continued strength of the currency. The strong Australian dollar has impacted negatively on competitiveness in the manufacturing sector and Australia’s export performance, while at the same time contributing to strong import demand.

In 2005, the current account deficit reached an historic high driven by strong growth in income debits from direct investments in the resource sector. Export volumes are expected to improve in 2006 with new mining projects coming on line and substantial investment in the resources sector and related infrastructure projects. Moderation in the housing market and high energy costs are forecast to bring domestic demand to more sustainable levels. These factors should combine to narrow both the trade and current account deficits from the record levels of 2005.

There are risks to the outlook for sustained growth. Oil prices remain at historically high levels and, combined with the tight labour market and continuing capacity constraints, these price and wage pressures are expected to flow through to stronger inflationary pressures. There is the potential for a further interest rate rise in 2006 which may put downward pressure on domestic demand and growth. The interest rate differential between Australia and its major trading partners has narrowed and the Australian dollar has weakened.
### Table 6.1: GDP Growth (annual percentage change)

<table>
<thead>
<tr>
<th>Region</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North East Asia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>10.0</td>
<td>10.1</td>
<td>9.9</td>
<td>9.1</td>
<td>8.7</td>
<td>In 2005, the government announced a ‘managed’ float of its currency. Productivity growth is expected to increase with production becoming less labour intensive and more value added.</td>
</tr>
<tr>
<td>Korea</td>
<td>3.1</td>
<td>4.6</td>
<td>4.0</td>
<td>5.0</td>
<td>4.7</td>
<td>Growth is expected to be supported by increased household consumption and industrial production, particularly in the automobile and information technology industries.</td>
</tr>
<tr>
<td>Japan</td>
<td>1.8</td>
<td>2.3</td>
<td>2.7</td>
<td>2.9</td>
<td>2.1</td>
<td>Price deflation is expected to end. Sustained economic growth remains dependent on economic restructuring. Risks include the ageing population and shrinking workforce.</td>
</tr>
<tr>
<td>Taiwan</td>
<td>3.4</td>
<td>6.1</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
<td>Growth has been led by solid expansion in the information technology sector and strong export performance.</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>3.2</td>
<td>8.6</td>
<td>7.3</td>
<td>5.3</td>
<td>4.5</td>
<td>Hong Kong has benefited from China’s solid growth with increases in external trade, and the finance and transport/communication industries.</td>
</tr>
<tr>
<td><strong>South East Asia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>4.9</td>
<td>6.0</td>
<td>5.1</td>
<td>4.7</td>
<td>4.7</td>
<td>Growth is expected to be supported by solid investment and household consumption. Risks include potential political instability.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4.7</td>
<td>5.1</td>
<td>5.6</td>
<td>5.1</td>
<td>5.5</td>
<td>Infrastructure investment is expected to assist structural reform. The removal of the substantial fuel subsidy and subsequent fuel price increases and interest rate rises may undermine consumption.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5.4</td>
<td>7.1</td>
<td>5.3</td>
<td>5.4</td>
<td>5.2</td>
<td>Trade has been dominated by the manufacturing sector, in particular, electrical goods. Household consumption is expected to increase prior to the introduction of a goods and services tax in 2007.</td>
</tr>
<tr>
<td>Thailand</td>
<td>7.0</td>
<td>6.2</td>
<td>4.5</td>
<td>4.8</td>
<td>5.0</td>
<td>A large government infrastructure development planned for 2006 is expected to boost activity and investment. Current political uncertainty is a risk.</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.9</td>
<td>8.7</td>
<td>6.4</td>
<td>6.0</td>
<td>5.2</td>
<td>Projected growth is driven by an expected increase in manufacturing production with both private consumption and total investment expected to increase strongly in 2006.</td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>2.7</td>
<td>4.2</td>
<td>3.5</td>
<td>3.3</td>
<td>3.0</td>
<td>The economy began to recover in 2003 supported by low interest rates and tax cuts. Risks include growth in household consumption related to rising housing values, shortages in oil refining capacity, the trade and current account deficits and a possible fall in the dollar.</td>
</tr>
<tr>
<td>Canada</td>
<td>2.0</td>
<td>2.9</td>
<td>2.9</td>
<td>3.0</td>
<td>2.7</td>
<td>Business investment, particularly in the energy sector, has provided momentum to growth. The strong Canadian dollar has supported consumer expenditure, but also contributed to a growing trade deficit. The economy is operating near full capacity. Proposed tax cuts will further support consumer spending.</td>
</tr>
<tr>
<td><strong>European Union</strong></td>
<td>1.0</td>
<td>2.3</td>
<td>1.6</td>
<td>2.2</td>
<td>2.0</td>
<td>Europe’s major economies have been experiencing relatively high unemployment and low growth since about 2002. Demographic changes are expected to lead to a decline in the labour force. Much of Europe is expected to continue to experience relatively slow growth and high unemployment with the exception of the United Kingdom.</td>
</tr>
<tr>
<td>Russia</td>
<td>7.3</td>
<td>7.2</td>
<td>5.5</td>
<td>5.2</td>
<td>na</td>
<td>Growth has been driven by consumption, influenced by rising incomes and a growth in credit. Some moderation in manufacturing and resource extraction has occurred.</td>
</tr>
<tr>
<td>India</td>
<td>8.5</td>
<td>7.5</td>
<td>7.9</td>
<td>7.3</td>
<td>na</td>
<td>Growth is supported by increased industrial production, greater openness to foreign investment and trade liberalisation. Major exports include information technology and telecommunications. Risks include high levels of government debt and large trade and foreign account deficits.</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>3.1</td>
<td>3.6</td>
<td>2.5</td>
<td>3.2</td>
<td>3.4</td>
<td></td>
</tr>
</tbody>
</table>

*na*: not available

Source: Consensus Economics Forecasts (for India, financial year is reported) (for Russia, data is from the International Monetary Fund)
Outlook

Global economic conditions are expected to remain favourable throughout 2006-07. The outlook beyond 2006-07 is less certain, and will depend heavily on the extent to which the very strong growth seen in China in recent years can be maintained. Another important influence will be the strength of the US economy, which has recorded steady growth since moving into a recovery phase in 2003, and the Japanese economy, which is emerging from a sustained period of low growth and price deflation.

Consensus Economics forecasts world economic growth of 3.4 per cent in 2006 and 3.1 per cent in 2007.

Negotiations on a free trade agreement between China and Australia are continuing and, if successful, will provide further impetus to the already strong trade links between the two countries.

Australian economic growth in 2006-07 is expected to be supported by continuing strong commodity demand and high prices, strong demand for exports from China and solid household consumption. Consensus Economics forecasts growth of 3.2 per cent in 2006 and 3.4 per cent in 2007.
Chapter 7  International Trade

Key Points

- Major Territory exports are mineral ores, mineral fuels and services related to international visitors (tourists and foreign defence personnel).
- Merchandise exports increased by 18 per cent to an estimated $2.6 billion in 2005-06, largely due to increased global commodity demand and prices.
- Strong growth (26 per cent) in merchandise exports is forecast for 2006-07, supported by a full year of liquefied natural gas production, manganese from the new Bootu Creek mine and increased alumina from Alcan’s Gove refinery.
- Major Territory imports are machinery and equipment (mostly industrial equipment for mining and construction activities) and refined fuels.
- In 2005-06, imports increased by an estimated 17 per cent to $2.3 billion, largely due to equipment imported for the Bayu-Undan gas and condensate development and higher prices for refined fuel. The import of aircraft via Darwin for the Jetstar fleet also contributed to this increase.
- Imports are forecast to decrease by 23 per cent in 2006-07, due in large part to completion of work on the Alcan G3 refinery expansion and the completion of Jetstar’s fleet purchases. Mineral fuel imports are forecast to increase significantly (32 per cent) with import of feedstock gas for the Wickham Point LNG plant.

An abundance of rich mineral and energy resources and a limited local market mean that international trade forms an integral part of the Territory economy. Reliance on the extremely volatile mining and energy sector ensures that the timing of large projects, price variations and exchange rate movements can have a dramatic effect on the Territory’s trade performance. A recent example is the effect of the commencement of crude oil production from the Laminaria-Corallina oilfields in 1999-2000 (Chart 7.1), which led to a 68 per cent increase in Territory exports. Commencement of a full year of liquefied natural gas (LNG) production is likely to have a similar impact on Territory international trade from 2006-07.

Caution is required when interpreting international trade statistics for the Territory. The importation of some high value capital goods, such as the Northern Endeavour platform in 1999 and large number of passenger aircraft for Jetstar between 2004 and 2006, had a significant impact on reported Territory imports but is of little relevance to the onshore economy. Similarly, the majority of gold production in the Territory is exported via Perth, and is therefore not counted as a Territory export.

Chart 7.1: Territory International Merchandise Trade (moving annual total)

Source: Northern Territory Treasury, ABS data service 5432.0.65.001
Trade Balance

The Territory’s international trade balance as a ratio to gross state product (GSP) was 3.1 per cent in 2004-05 (Table 7.1), compared to a national ratio of –4.6 per cent (a trade deficit). The Territory has traditionally been a net exporter, largely due to its abundance of mineral and energy resources. In 2004-05, the Territory recorded the second highest level of merchandise exports per capita of Australian jurisdictions and the highest level of imports per capita.

Table 7.1: International Trade,
2004-05

<table>
<thead>
<tr>
<th></th>
<th>Merchandise Exports (per capita) number</th>
<th>Services Exports (per capita) number</th>
<th>Merchandise Imports (per capita) number</th>
<th>Ratio of Trade Balance to GDP/GSP %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>3 473</td>
<td>2 298</td>
<td>9 076</td>
<td>-13.5</td>
</tr>
<tr>
<td>Victoria</td>
<td>3 814</td>
<td>1 597</td>
<td>8 960</td>
<td>-12.5</td>
</tr>
<tr>
<td>Queensland</td>
<td>5 567</td>
<td>1 656</td>
<td>5 272</td>
<td>1.9</td>
</tr>
<tr>
<td>South Australia</td>
<td>5 082</td>
<td>662</td>
<td>3 643</td>
<td>3.3</td>
</tr>
<tr>
<td>Western Australia</td>
<td>17 587</td>
<td>1 374</td>
<td>6 726</td>
<td>22.1</td>
</tr>
<tr>
<td>Tasmania</td>
<td>4 894</td>
<td>367</td>
<td>1 222</td>
<td>11.3</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>9 606</td>
<td>2 416</td>
<td>9 216</td>
<td>3.1</td>
</tr>
<tr>
<td>Australian Capital Territory*</td>
<td>0</td>
<td>2 270</td>
<td>92</td>
<td>-2.2</td>
</tr>
<tr>
<td>Australia</td>
<td>5 522</td>
<td>1 738</td>
<td>7 330</td>
<td>-4.6</td>
</tr>
</tbody>
</table>

* Merchandise trade from the ACT is limited due to its size and geographic location
Source: ABS Cat. Nos. 3101.0, 5220.0

The Territory’s international merchandise trade surplus increased to an estimated $310 million in 2005-06, up from $230 million in 2004-05 but down from $1 billion in 2003-04. This increase is largely due to the commencement of LNG production which more than offsets the impact of the importation of aircraft for national airlines through Darwin.

The Territory’s major merchandise trading partners are in North East and South East Asia (mainly China and Singapore), North America (mainly Canada) is another important trade region.

Merchandise Exports

Mineral and energy exports comprise a large proportion of the Territory’s international merchandise exports. Other important merchandise exports include live cattle, animal and vegetable oils, manufactured goods, machinery and transport equipment, and chemicals and related products.

Merchandise exports have been volatile in recent years, due primarily to the combined impact of falling oil production from Laminaria-Corallina and large movements in crude oil prices and the Australian dollar. The nominal value of Territory merchandise exports increased by 18 per cent to an estimated $2.6 billion in 2005-06. Mineral ore exports increased by about 3 per cent in 2005-06 to an estimated $1.4 billion, reflecting strong world demand, while the value of oil exports increased by about 80 per cent to an estimated $0.9 billion in 2005-06. The value of live cattle exports has fallen by 31 per cent since 2002-03, as the stronger Australian dollar affected competitiveness.
Throughout the 1990s, mineral fuels (almost entirely oil) represented about 20 per cent of total merchandise exports. Oil production from the Laminaria-Corallina oilfields increased this proportion significantly, peaking in mid 2001 at almost 70 per cent of total Territory merchandise exports, supported by a weak Australian dollar and increasing oil prices. Production and export from the Laminaria-Corallina oilfields has declined significantly in recent years. By 2004-05, mineral fuel exports had fallen to just 23 per cent of merchandise exports. The commencement of LNG production at the Wickham Point processing plant will once again boost mineral fuel exports. Production of LNG is estimated to be valued at $600 million in 2005-06 before increasing to an estimated $1.36 billion in 2006-07.

Territory raw mineral ore exports are dominated by alumina, manganese, zinc/lead concentrate and uranium. Despite relatively steady production volumes, strong commodity prices and a strong Australian dollar resulted in the nominal value of Territory mineral ore exports increasing by 36 per cent to $1.4 billion in 2004-05. Although the value of gold production in the Territory is typically more than $300 million per annum, gold produced in the Territory is generally reported as an international export from Western Australia rather than the Territory.

The McArthur River mine, which contributed more than $150 million a year to the mineral ores exports over the past decade, ceased underground mining operations in September 2005 and a proposal to move to an open cut operation is currently under consideration by the Territory Government. The impact of any reduction in output from McArthur River will be somewhat offset by the new Bootu Creek manganese mine which began production in early 2006.

Territory live cattle exports are influenced by economic conditions in importing countries as evidenced by the dramatic decline following the 1997 Asian economic crisis and subsequent exchange rate movements. In 2005-06, the value of live cattle exports from the Territory increased by an estimated 5 per cent.

In the five years to 2004-05, about 77 per cent of Territory merchandise exports went to Asia. The major destination markets for Territory mineral ore exports are China and Japan as well as North America and Europe (Chart 7.3). Territory oil is exported to a broader range of countries to be refined, including Singapore, Korea, Japan, Taiwan and the United States.
Merchandise Imports

Machinery, equipment and mineral fuels are the Territory’s major international merchandise imports. Machinery and transport equipment imports have been particularly high in recent years as a result of equipment imported for major resource projects (Chart 7.4).

In 2005-06, the value of imports increased by an estimated 17 per cent to $2.3 billion, largely due to the import of aircraft for Jetstar, equipment for the Bayu-Undan gas and condensate fields, and the higher value of fuel imports associated with a sharp increase in prices.

Machinery and Transport

In 2005-06, the value of machinery and transport equipment imports increased from $1.0 billion in 2004-05 to an estimated $1.3 million, and represent about 54 per cent of Territory merchandise imports. The high proportion of machinery and equipment reflects the Territory’s high demand for industrial equipment and machinery for mining and construction. The large increase in 2005-06 is due to Darwin becoming the preferred first Australian port of call for Jetstar’s fleet of 20 new Airbus A-320s, leading to more than $900 million in aircraft imports from France being attributed to the Territory.
Feedstock Gas

Gas production at the Wickham Point LNG plant will have a significant impact on the Territory. Feedstock gas for manufacture into LNG is piped via a sub-sea pipeline from the Bayu-Undan fields in the Joint Petroleum Development Area (JPDA). Feedstock gas from Bayu-Undan will be reported as a Territory import, as the JPDA is jointly managed by Australia and Timor Leste and classified as a country for international trade purposes.

Other Imports

Mineral fuel imports made up about 35 per cent of the Territory’s international merchandise imports in the five years to 2004-05. However, the value of fuel imports is heavily influenced by volatility in the price of oil and exchange rate movements. The solid increase in international fuel imports since 1999 reflects, in part, a shift in the source of supply, with less being sourced from southern domestic refineries and more being sourced from Singapore. In 2005-06, the international price of crude oil reached and maintained record levels in the aftermath of Hurricane Katrina, continued insurgency in Iraq and uncertainty of supply from Venezuela and Nigeria. This has resulted in the value of Northern Territory fuel imports increasing by an estimated 31 per cent to $710 million in 2005-06.

The Territory has a small manufacturing base and, as such, the majority of manufactured products are imported. Manufactured imports accounted for about 13 per cent of international merchandise imports in the five years to 2004-05.

Key Import Markets

In the five years to 2004-05, about 29 per cent of Territory merchandise imports came from South East Asia. South East Asia and the Middle East are the major suppliers of the Territory’s fuel requirements, with most fuel being sourced from Singapore. Europe is now the Territory’s second largest import source, largely due to aircraft imports from France.

Service Exports

The Territory recorded the highest level of service exports per capita of the jurisdictions in 2004-05, primarily due to its large tourism industry and its status as a preferred rest and recreation destination for overseas defence personnel.

Government Services

The expenditure by foreign government personnel on services such as meals, accommodation, entertainment and sightseeing tours is classified as government services exports. The majority of Territory government services exports come from visiting military forces, particularly from the United States. In 2004-05, government services exports were valued at $293 million and comprised almost 60 per cent of total Territory services exports.
Travel Services

The expenditure by overseas tourists, business travellers and students on services in the Territory is classified as travel services exports. This includes meals, accommodation, entertainment and sightseeing tours. In 2004-05, travel services were valued at $138 million, and accounted for 28 per cent of total Territory services exports. Since 2002, the value of Territory travel service exports has fallen by more than 27 per cent, due in part to a series of international terrorist attacks.

Service Imports

Territory services imports are dominated by Territory-based demand for travel services (consumed by Territorians travelling overseas) and transportation (shipment and freight services provided by foreign operators), each of which represented around 45 per cent of services imports in 2004-05. The total value of services imports in 2004-05 was $266 million, up from $207 million in 2003-04.

Outlook

The Territory’s nominal merchandise trade surplus is forecast to be around $1.5 billion in 2006-07, a substantial increase from an estimated $310 million in 2005-06, due to increased exports and a decline in imports.

Exports

The nominal value of merchandise exports is forecast to increase by 26 per cent to $3.3 billion in 2006-07, driven by a full year of LNG production, manganese from Bootu Creek mine and increased production from Alcan’s Gove refinery. The value of mineral fuels exports, including LNG, is forecast to increase by 107 per cent in 2006-07, largely due to increased LNG production. Commodity prices are expected to retreat from current highs, with a predicted slowing of the Chinese economy and a subsequent decline in global demand reducing the value of Territory commodities exports.

Further out, potential resource developments, as well as gas-based manufacturing, have the capacity to boost exports of oil and gas, although there is still some uncertainty regarding the likelihood and timing of such projects.

Imports

The nominal value of Territory international imports to the Territory is forecast to decrease by 23 per cent to $1.8 billion in 2006-07. The completion of both Jetstar’s fleet purchase and work on the Alcan G3 refinery expansion are the key drivers of this decline. However, mineral fuel imports are forecast to increase by 32 per cent, as a result of the importation of feedstock gas for the Wickham Point LNG plant.
Chapter 8 Mining and Energy

Key Points

- In terms of output, mining is the largest industry in the Territory, accounting for 19 per cent of gross state product (GSP) in 2004-05, compared to 5 per cent nationally.

- Mining output is volatile and production levels can jump markedly as new projects come on line. Global supply and demand conditions and the impact of exchange rate movements on competitiveness are key factors affecting production levels and price.

- In recent years, output has been dominated by oil production from the Laminaria-Corallina oilfields in the Timor Sea, but has been declining as reserves are depleted.

- In the short to medium term, production will be dominated by gas and condensate production from Bayu-Undan, half of which is attributed to the Territory. Liquefied natural gas (LNG) production at the new Wickham Point plant using feedstock gas from Bayu-Undan began in December 2005.

- Strong growth in the value of minerals production, particularly alumina, manganese and gold is expected in 2006-07, with higher production and prices. Prices are expected to moderate beyond 2006-07 as global supply increases.

- In the medium to long term, the level of exploration is expected to continue to increase, consistent with Australian trends and supported by Territory Government initiatives and strong commodity prices.

Mining is the most significant industry in the Territory, accounting for 19 per cent of GSP in 2004-05, compared to 5 per cent nationally (Table 8.1). However, its high contribution to GSP is not reflected in its share of Territory employment. According to Australian Bureau of Statistics (ABS) estimates, employment in the mining industry in 2004-05 totalled 2100 or 2.2 per cent of total resident employment. The Department of Primary Industry, Fisheries and Mines reports a much higher estimate of 4622 employees that reflects definitional differences, as it includes affiliated employment, such as manufacturing employment at Alcan and fly in fly out employees, who are not usually resident in the Territory.

<table>
<thead>
<tr>
<th>State/Region</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>1.8</td>
</tr>
<tr>
<td>Victoria</td>
<td>1.2</td>
</tr>
<tr>
<td>Queensland</td>
<td>7.3</td>
</tr>
<tr>
<td>South Australia</td>
<td>2.1</td>
</tr>
<tr>
<td>Western Australia</td>
<td>19.5</td>
</tr>
<tr>
<td>Tasmania</td>
<td>1.6</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>19.2</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>0.0</td>
</tr>
<tr>
<td>Australia</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Source: ABS Cat. No. 5220.0
Mining is also an important source of Territory Government revenue through royalties for most onshore mining operations. For 2005-06, royalty revenue is estimated at $48.6 million, with a further $3.1 million paid by the Australian Government as a grant in lieu of uranium royalties. Offshore gas and oil falls under the Australian Government's tax jurisdiction.

In 2005-06, the value of mining and energy production increased by 33 per cent to an estimated $4.1 billion, a level not seen since 2000-01, when oil production from the Laminaria-Corallina oilfields peaked. The major contributors to the increase were increased production of condensate and liquid petroleum gas (LPG) at Bayu-Undan, and the commencement of LNG production at the new Wickham Point plant (Chart 8.1).

Minerals

Bauxite production at Gove and manganese production at Groote Eylandt accounted for about 46 per cent of the total value of production in 2004-05, and both mines are expected to continue to dominate mineral production in the medium term. Zinc, lead and silver production at McArthur River accounted for a further 18 per cent of production value in 2004-05, but underground operations ceased in September 2005. The operator's proposal to move to an open cut operation is currently under consideration by the Territory Government.

Other important mineral resources and operations include:

- gold mines located in the Tanami Desert and Pine Creek areas;
- a new manganese mine at Bootu Creek near Tennant Creek, which commenced production in April 2006;
- phosphate deposits near Tennant Creek;
- garnet sands and vermiculite near Alice Springs;
- magnesite and a major polymetallic deposit of lead, cobalt, copper, nickel and silver in the Batchelor area; and
- the Merlin diamond field south-east of Borroloola.
Onshore Mineral and Energy Resources

- **Melville Island**
- **Bathurst Island**
- **DARWIN**
- **Jabiru**
- **RANGER/JABILUKA**
- **Nhulunbuy**
- **Gove**
- **Groote Eylandt**
- **McArthur River**
- **GROUNDRUSH**
- **Booluong Downs**
- **The Granites**
- **Merlin**
- **Chariot**
- **Browns**
- **Batchelor**
- **Frances Creek**
- **Union Reefs**
- **Katherine**
- **Mataranka**
- **Northern Cement**
- **Borrooloola**
- **Wonarah**
- **Harts Range**
- **Groundrush**
- **Tennant Creek**
- **Pekoe Project**
- **Topsprings**
- **Elliott**
- **Barrow Creek**
- **Harts Range**
- **Mud Tank**
- **Alice Springs**
- **Yulura**
- **Top Springs**
- **Dunmarra**
- **Elliott**
- **Avon Downs**
- **Peekaboo Creek**
- **Mud Tank**
- **Harts Range**
- **Palm Valley**
- **Yuendumu**
- **Ti Tree**
- **Barrow Creek**
- **Northern Cement**
- **Kalkarindji**
- **Kalkarindji**
- **Gas and Oil Field**
- **Gas Field**
- **Frances Creek**
- **Iron Ore**
- **Gold**
- **Gold**
- **Gold**
- **Gold**
- **Diamonds**
- **Lead/Zinc/Silver**
- **Garnet Sands**
- **Phosphate**
- **Vermiculite**
-

Mineral and Energy Resources:
- **Gold**
- **Garnet Sands**
- **Diamonds**
- **Lead/Zinc/Silver**
- **Phosphate**
- **Vermiculite**
- **Iron Ore**
- **Lime**
- **Magnesium**
- **Magnesium**
- **Bauxite/Alumina**

Distance Scale:
- 0 km
- 100 km
- 200 km
2005-06 Production

The nominal value of mineral production and processing, including manufacturing of alumina, decreased by 9 per cent to an estimated $1.4 billion in 2005-06 (Chart 8.2).

- The nominal value of gold production decreased by 34 per cent to an estimated $254 million, due primarily to the closure of The Granites mine's Groundrush ore body.

- The value of bauxite and alumina production decreased by 1.9 per cent to an estimated $600 million due to a temporary suspension to production at the Alcan refinery as part of the G3 expansion project.

- The value of base metals production decreased by 45 per cent to an estimated $115 million. The conclusion of underground mining operations at the McArthur River mine in September 2005 is estimated to have had a significant impact on the production of lead-zinc concentrate. Despite this, there remains a significant stockpile of ore to be processed. The impact of the decline in production of lead-zinc concentrate was partially offset by strong prices growth.

- The value of manganese production increased by 14 per cent to an estimated $413 million, driven by higher prices, increased production at the GEMCO mine at Groote Eylandt and the commencement of production at the new Bootu Creek mine.

Chart 8.2: Value of Mineral Production and Processing (nominal dollars)

<table>
<thead>
<tr>
<th>Year ended June</th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>92</td>
<td></td>
</tr>
<tr>
<td>93</td>
<td></td>
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<td>99</td>
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<td>05</td>
<td></td>
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<tr>
<td>06</td>
<td></td>
</tr>
<tr>
<td>07</td>
<td></td>
</tr>
<tr>
<td>Alumina/bauxite</td>
<td></td>
</tr>
<tr>
<td>Manganese</td>
<td></td>
</tr>
<tr>
<td>Lead-zinc</td>
<td></td>
</tr>
<tr>
<td>Other minerals</td>
<td></td>
</tr>
<tr>
<td>Gold</td>
<td></td>
</tr>
</tbody>
</table>

e: estimate; f: forecast

Source: Department of Business, Economic and Regional Development, Department of Primary Industry, Fisheries and Mines

Exploration

Mineral exploration in the Territory and nationally increased significantly in 2004-05 in response to increasing global demand and strong price increases. In the Territory, private mineral exploration expenditure (including exploration for uranium) increased by 31 per cent to $56 million in 2004-05. Expenditure on gold exploration, at $27 million, accounted for almost half of total mineral exploration expenditure. In the six months to December 2005, expenditure totalled $42 million (Chart 8.3).
Despite a significant increase over the last two years, the level of exploration remains at a relatively low level. Given the long lead time (typically 10 to 15 years) between the discovery of a major ore body and commercial production, the extended period of low level exploration may have important consequences for production capacity in the medium to long term.

In 2003, the Territory Government implemented a new exploration initiative, Building the Territory’s Resource Base, to attract investment. It follows the previous Northern Territory Exploration Initiative, and provides $15.2 million over four years for the provision of pre-competitive geoscientific data and the promotion of prospectivity. The initiative also supports liaison with Indigenous land owners and the processing of exploration and mining titles.

**Energy**

The significant energy resources in the Territory are oil, uranium, natural gas, liquid petroleum gas (LPG) and condensate (a light hydrocarbon liquid used to manufacture petrol and petrochemicals, and often found mixed with deposits of natural gas). The major known locations of these energy resources are:

- Ranger, Jabiluka and Koongarra in west Arnhem Land (uranium);
- the Amadeus Basin at Palm Valley and Mereenie (oil and natural gas);
- Greater Sunrise, Evans Shoal, Petrel/Tern and Crux/Argus in the Timor Sea (natural gas and condensate); and
- Laminaria-Corallina, Jabiru and Challis/Cassini in the Timor Sea (oil).

In addition, 50 per cent of the value of oil and gas production from the Joint Petroleum Development Area (JDPA) is also attributed to the Territory. Currently, the two producing fields in the JDPA are Bayu-Undan (gas, LPG and condensate) and Elang/Kakatua (oil).

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**Chart 8.3: Mineral Exploration (moving annual total)**

Source: ABS Cat. No. 8412.0
The nominal value of energy production, including LNG, increased by 77 per cent to an estimated $2.7 billion in 2005-06, reflecting both increased production and higher prices.

- The value of oil production increased by 42 per cent to an estimated $900 million, driven by a 12 per cent increase in production and higher prices. Production at Laminaria-Corallina, which dominates oil production in the Territory, has declined steadily from its peak in 2000-01, but is expected to increase by 3 per cent following a temporary shutdown in 2004-05 for repair work. Oil production from the mature Jabiru and Challis/Cassini fields recovered in 2005-06 as regular tanker services recommenced.

- The value of uranium ore production increased by 8 per cent to an estimated $250 million, reflecting higher prices due to increased global energy demand, decreasing supplies of weapons-grade uranium stocks and a growing interest in the potential benefits of using uranium to minimise greenhouse gas emissions.

- The value of gas production, including LNG, increased by 256 per cent to $542 million, with the commencement of LNG production at the new Wickham Point facility using feedstock sourced from Bayu-Undan.

- The value of condensate production increased by 95 per cent to $593 million, reflecting increased production at Bayu-Undan.
**Exploration**

Relatively strong global economic growth and significant increases in oil and gas prices led to a resurgence in exploration activity in 2004-05. Private expenditure on oil and gas exploration increased by 193 per cent to $99 million in 2004-05. Expenditure is expected to increase significantly in 2005-06, with $131 million recorded in the six months to December 2005.

Like mineral exploration, increased oil and gas exploration has been supported by the Territory Government’s Building the Territory’s Resource Base initiative through the provision of geoscientific information to explorers and has led to a major increase in onshore exploration permits.

Uranium exploration expenditure, concentrated in west Arnhem Land, increased by 44 per cent to $6.9 million in 2004-05, triggered by the large price increase since 2003.

**Outlook**

The outlook for minerals is determined by global supply and demand, with world economic growth and the exchange rate being major influences on demand. Strong demand is expected to continue into 2006-07, with solid world economic growth, most notably from China. The competitiveness of Australian producers is expected to be enhanced by recent and anticipated further depreciation of the Australian dollar.

The value of mineral production, including minerals processing, in the Territory is forecast to increase by 25 per cent to $1.8 billion in 2006-07, largely due to expected increases in alumina/bauxite, gold and manganese production.

- Alumina production is forecast to increase by 37 per cent to $600 million, reflecting increased production associated with the completion of the Alcan G3 refinery expansion and higher prices. Expected price increases are driven by strong demand for alumina from China and a slower than expected buildup of global production. Prices are expected to weaken from 2007 and beyond as new production capacity comes on line.

- Manganese production is forecast to increase by 29 per cent to $532 million. Prices are forecast to increase by a further 12 per cent on the back of stronger demand and constrained supply. Production volumes will be boosted significantly by a full year of production from the new Bootu Creek mine.
Gold production is forecast to increase by 32 per cent to $336 million. Production is forecast to increase by 13 per cent and prices by a further 17 per cent. Production from The Granites mine is expected to fall, but will be offset by a number of new developments if they proceed as planned.

The outlook for base metals is uncertain. Underground operations at the McArthur River mine (lead, zinc, silver) ceased in September 2005 and a proposal to move to an open cut operation is currently under consideration by the Territory Government. A planned open cut operation at the Brown's Deposit near Batchelor (copper, cobalt, nickel) concentrate is also under consideration by the Government. If approved, production is likely to begin in 2006-07. The same operator is also seeking strategic partners to develop a large sulphide orebody containing copper, cobalt, nickel, lead and zinc at the same site.

In addition, there is a proposal to develop an open cut iron ore mine at Frances Creek. Ore from the mine will be transported by rail to Darwin for export. Production is expected to commence in early 2007 and build up to around 1.5 million tonnes annually.

Oil production will continue to decline in 2006-07 due to lower production from Laminaria-Corallina, which accounts for about 90 per cent of oil production in the Territory. The decline in production at Laminaria-Corallina is a normal function of declining reserves and will continue. A number of other marginal oil discoveries in the Timor Sea await further appraisal and/or development. These include Audacious, Barnett, Montara, Oliver, Puffin, Talbot and Tenacious. Development options for Audacious and Montara are being reviewed.

The impact of the decline in oil production levels will be offset somewhat by expected further price increases in the short term, supported by strengthening demand, supply constraints and a significant risk premium. The Australian Bureau of Agricultural and Resource Economics (ABARE) forecasts the 2006 oil price to average about US$60 per barrel before easing back to about US$57 in 2007.

The value of gas production, including LNG, will increase significantly in 2006-07, with the first full year of LNG production at the new Wickham Point facility using feedstock gas sourced from Bayu-Undan.

Looking further ahead, the Territory remains on the verge of a major development phase for gas reserves and for gas-based manufacturing. Should efforts to bring more Timor Sea gas onshore prove successful, it could be used as feedstock for new manufacturing industries. An area at Glyde Point, on the Gunn Point Peninsula to the east of Darwin, has been identified as a potential site for a major gas-based industrial estate and associated port facilities. Possible gas manufacturing projects include further production of LNG or gas-based products, such as methanol, ethane, ammonia/urea fertilisers and various petrochemicals. Timor Sea gas also has the potential to provide a cheap and efficient energy source for the manufacture of alumina, magnesium and other ore concentrates, and for the production of electricity that could advance local value-adding opportunities.

Negotiations between the Timor-Leste and Australian governments concluded in January 2006 with the signing of the Treaty on Certain Maritime Arrangements in the Timor Sea. At this stage, however, development of the Greater Sunrise field is on hold, with Woodside announcing a deferral of the project for at least ten years.
In December 2005, the Northern Territory Government announced the signing of a Heads of Agreement between the Northern Territory Power and Water Corporation, and ENI Australia for the sale of gas from the Blacktip field, a Western Australian administered field 100 km west of Wadeye in the Bonaparte Basin. The agreement binds the parties to work exclusively together to conclude the necessary commercial terms to develop a gas sale agreement for the supply of gas from Blacktip to meet the Northern Territory’s long-term gas requirements from 2009.

**Uranium**

ABARE has forecast a 22 per cent increase in uranium prices in 2006-07, with some moderation expected in 2007-08 as world supply increases.

In the Territory, the Ranger mine is scheduled to cease mining in 2008, but it has extended its mill processing of the ore through to 2014. The Jabiluka mine remains on a stand-by, care and environmental maintenance status, and the operator has given an undertaking to the Australian Government that mining will not commence until mining at Ranger is concluded. Reserves at Jabiluka are estimated as sufficient to maintain production for nearly three decades.

In April 2006, Australia and China signed a nuclear safeguards agreement that allows for Australian exports of uranium to commence and may lead to increased exploration activity. The potential for new mines in the Territory will continue to be influenced by Australian Government policy, as it retains power over uranium mining.

**Exploration**

After gradually declining over the seven years to 2003-04, minerals exploration expenditure is improving, while petroleum exploration has increased sharply. In the medium to long term, the level of exploration is expected to continue to increase, consistent with Australian trends and supported by Territory Government initiatives. The outlook is for increasing exploration for gold, diamonds, nickel, rare earths, uranium and onshore hydrocarbons. Exploration activity is particularly buoyant in several major geological provinces across the southern and central parts of the Territory.
Tourism

Key Points

- Tourism is an important part of the Territory economy, creating demand and generating employment in a range of different industries, including hospitality, retail trade, transport and construction.
- In 2004-05, the tourism industry accounted for 7.4 per cent of gross state product, and is a major employer in the Territory.
- The tourism industry, both nationally and in the Territory, experienced a number of setbacks in recent years, including the global economic slowdown in 2001, terrorist attacks in New York, London, Madrid and Bali, the collapse of Ansett and the SARS outbreak.
- In 2004-05, the tourism industry in the Territory showed signs of recovery, with visitor numbers increasing by 8.4 per cent.
- Tourism-related investment has also been increasing, with a number of projects currently under way or scheduled to start in 2006. These include projects to develop additional tourist accommodation and the Darwin Waterfront Development project.
- The outlook for tourism in the Northern Territory is broadly positive. Nationally, continued low unemployment and solid wages growth should support further growth in both intra-Territory and interstate visitor numbers.

The tourism industry plays a significant role in the Territory economy, contributing more to gross state product (GSP) than in any other jurisdiction. Unique flora, fauna and geographical features, as well as Aboriginal art and culture, are key attractions for visitors. Cruise and defence force ship visits also make a significant contribution to the Territory’s tourism industry.

Tourism is different to other industries as it is defined by the nature of the consumers, including holiday, business and government-related visitors, rather than the types of goods and services involved. Tourists create demand in a range of industries including accommodation, cafes, restaurants, cultural and recreational services, retail trade and transport. Tourism also generates activity in the construction industry for hotels and other tourism-related infrastructure. As such, measurement of the tourist industry is not as straightforward as other industries, and to a large extent relies on surveys of expenditure by international and domestic visitors.

Tourism accounted for 7.4 per cent of Territory GSP and 6.1 per cent of state final demand (SFD) in 2004-05, compared to 3.6 per cent and 3.5 per cent nationally (Chart 9.1).
Tourism growth over any period closely reflects prevailing economic conditions both domestically and internationally. Factors such as exchange rates and growth in disposable household income are key drivers. Tourism expenditure is largely a discretionary component of consumer expenditure. As such, both income growth and consumer confidence can have a significant effect on tourism activity. International tourism is particularly sensitive to geopolitical conditions and health concerns, while the availability and cost of airfares and fuel prices can also impact on Territory tourism activity. Additionally, visitor numbers are influenced by large one-off events such as the Sydney Olympics, and regular events such as the Darwin Cup, Arafura Games, Masters Games and defence exercises.

Visitor Numbers
Nationally, the tourism industry has experienced a number of setbacks in recent years. The onset of the global economic slowdown in 2001, the terrorist attacks in New York, London, Madrid and Bali, the collapse of Ansett and the severe acute respiratory syndrome (SARS) outbreak all contributed to a downturn in tourism activity in the following years, particularly inbound international tourism. Over the same period, the Australian dollar appreciated significantly, compounding the negative impact on international tourist numbers (Chart 9.2).
Following three years of decline, the number of visitors to the Territory increased by 8.4 per cent to 1.4 million in 2004-05. Visitor nights have also increased, up 5.1 per cent to 9.2 million nights (Table 9.1).

**International Visitors**

Nationally, international tourist numbers began to recover from the global tourism downturn in mid 2003, with growth in international short-term arrivals of 8.6 per cent in the year to June 2004, and 6.9 per cent in the year to June 2005 (Chart 9.2). The number of visitors to Australia, as recorded by Tourism Australia, showed increases of 9.0 per cent and 6.3 per cent in 2003-04 and 2004-05 respectively. Latest data reports that the recovery in international numbers nationally is beginning to flow through to the Territory. Following a fall of 13.7 per cent in 2002-03, international visitor numbers to the Territory were flat in 2003-04 and 2004-05 (Chart 9.3, Table 9.1). However, in the year to December 2005, international numbers increased by 8.2 per cent, due to stronger results in the September and December quarters.

**Interstate Visitors**

Interstate visitor numbers recovered in 2004-05, up by 28 per cent to 608,000, with interstate visitor nights increasing by 10 per cent to 5.2 million nights (Chart 9.3, Table 9.1). Although the number of interstate visitors has tended to be relatively volatile, 2004-05 was above the average of the past five years. Visitor nights in 2004-05, however, remain below the average over the same period, indicating a reduction in the average length of stay.

**Table 9.1: Visitor Nights in the Northern Territory**

<table>
<thead>
<tr>
<th>Year</th>
<th>Intra-Territory (000)</th>
<th>% Change</th>
<th>Interstate (000)</th>
<th>% Change</th>
<th>International (000)</th>
<th>% Change</th>
<th>Total (000)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>1,351</td>
<td></td>
<td>5,533</td>
<td></td>
<td>3,391</td>
<td></td>
<td>10,275</td>
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<tr>
<td>2000-01</td>
<td>1,567</td>
<td>15.9</td>
<td>6,262</td>
<td>13.2</td>
<td>4,019</td>
<td>18.5</td>
<td>11,847</td>
<td>15.3</td>
</tr>
<tr>
<td>2001-02</td>
<td>1,663</td>
<td>6.2</td>
<td>5,091</td>
<td>-18.7</td>
<td>3,196</td>
<td>-20.5</td>
<td>9,950</td>
<td>-16.0</td>
</tr>
<tr>
<td>2002-03</td>
<td>1,532</td>
<td>-7.9</td>
<td>5,887</td>
<td>15.6</td>
<td>2,792</td>
<td>-12.6</td>
<td>10,211</td>
<td>2.6</td>
</tr>
<tr>
<td>2003-04</td>
<td>1,441</td>
<td>-5.9</td>
<td>4,715</td>
<td>-19.9</td>
<td>2,620</td>
<td>-6.1</td>
<td>8,776</td>
<td>-14.1</td>
</tr>
<tr>
<td>2004-05</td>
<td>1,327</td>
<td>-7.9</td>
<td>5,193</td>
<td>10.1</td>
<td>2,705</td>
<td>3.2</td>
<td>9,225</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Five year annual average -0.4 -1.3 -4.4 -2.1

Source: Tourism NT
Intra-Territory Visitors

Intra-Territory visitor numbers decreased by 4.7 per cent to 467,000 visitors in 2004-05, while visitor nights fell by 7.9 per cent to 1.3 million nights (Chart 9.3, Table 9.1). Intra-Territory visitors account for over one-third of total visitor numbers in the Territory, however, intra-Territory visitor nights represent a much smaller percentage of the total (about 14.7 per cent over the past six years) as the average length of stay by Territorians is much lower than both international or interstate visitors.

Market Segments

Visitor Composition

Interstate visitors continue to remain the largest source of demand for tourism in the Territory, representing about 40 per cent of all visitors over the past five years. Strong growth in interstate visitor numbers in 2004-05 resulted in an 8 per cent increase in total visitor numbers, while the international and intra-Territory visitor numbers remained flat. Intra-Territory visitors accounted for an average of 35 per cent of total visitors over the past five years, while international numbers made up the remaining 26 per cent.

Domestic visitors to the Territory tend to stay longer than visitors to other jurisdictions reflecting the remoteness and nature of the Territory’s attractions. By contrast, international visitors to the Territory have a much shorter average length of stay than in other jurisdictions, staying an average of 8 nights in 2004-05, compared to 17 nights on average in other jurisdictions.

International Visitors

Tourism Australia estimates that 334,000 international visitors came to the Territory in 2004-05. Of these, about 57 per cent were from Europe, with visitors from the United Kingdom (22 per cent), Germany (13 per cent) and from other parts of Europe (22 per cent). Japan (17 per cent) and North America (13 per cent) were other significant source markets (Chart 9.4).

Chart 9.4: International Visitors to the Territory, 2004-05

A high proportion of Germans and other Europeans visiting Australia continue to be attracted to the Territory, and in 2004-05 more than 20 per cent of these visitors to Australia visited the Territory. Historically, only a small proportion of visitors to Australia from Asia (not including Japan) and New Zealand visited the Territory (Chart 9.5).
Backpackers

International backpackers are much more significant to the Territory than for other jurisdictions, accounting for 32 per cent of international visitor numbers in 2004-05, compared to 19 per cent on average across other jurisdictions. However, like international visitors in general, international backpackers tend to stay fewer nights in the Territory compared to other jurisdictions.

The number of international backpackers to the Territory declined in recent years. Over the past four years, international backpacker numbers have decreased by an average of 8.1 per cent per year, to 108,500 backpackers in 2004-05. During the same period, international backpackers to Australia increased marginally by 0.6 per cent, suggesting a decline in backpacker interest in the Territory.

Backpackers from the United Kingdom represented 29 per cent of the total number of international backpackers to the Territory. Germany and other European countries are also key source markets.

Self-Drive Market

Self-drive visitors, consisting primarily of domestic (interstate and intra-Territory) visitors, are an important part of the Territory’s tourism market. Self-drive visitors to the Territory increased by 10 per cent to 169,000 visitors in 2004-05, following a decrease of 28 per cent in 2003-04. The increase came from domestic self-drive visitors, who increased by 16 per cent to 134,000 visitors in 2004-05.

Cruise and Defence Ships

There were more than 11,000 cruise ship passengers in 2005, an increase of 6 per cent from 2004. After remaining fairly stable between 2001 and 2004, cruise ship visits increased by 50 per cent in 2005, with a total of 33 visits. However, the average number of passengers per ship declined substantially.

Cruise ship numbers are expected to increase again in 2006 with a total of 45 visits, representing a 36 per cent increase on 2005. Over one-third of these visits will be made by the luxury cruise ship Orion, which has been based in Australia since April 2005, offering 17 cruises to East Timor and the Kimberleys in 2006. Typically, cruise ship visits are scheduled between December and April, to coincide with winter in the northern hemisphere.

Darwin is an important port of call for navy personnel, with a large number of Australian and international navy ships docking each year. In 2005, 77 naval ships visited Darwin for a total of 267 visit days, down from 94 ships and 320 visit days in 2004. Although naval ship visits still represent a significant injection into the Territory economy, their numbers have been steadily declining from their peak of 375 ships in 1999, when visits were unusually high due to increased military activity related to Timor-Leste.
On average, cruise ship passengers and crew spend about $180 and $150 per person per day respectively while on land in the Territory. Spending by navy personnel is estimated to be between $150 and $200 per person per day.

Destinations

The Territory’s unique flora, fauna and geographical features are key attractions for visitors, with Aboriginal art and culture another major drawcard for the Territory’s national parks. Each year the Territory’s national parks attract more than a million visitors.

The Territory’s major tourist regions are the Top End, which includes Darwin, Kakadu, Arnhem and Daly, and the Centre, which includes Alice Springs, MacDonnell, Tanami and Petermann (Uluru-Kata Tjuta).

Visitors to the Centre increased by 11 per cent to 629 000 visitors in 2004-05, after three years of decline from a peak of 745 000 in 2000-01. The Top End has likewise been recovering from the recent downturn, with increases in visitor numbers of 0.5 per cent in 2003-04, and 9.7 per cent to 794 000 in 2004-05. Annual visitors to the Katherine region have been volatile over the five years to 2004-05, peaking at 366 000 visitors in 2001-02, followed by a fall of 24 per cent in 2002-03, before rising to 302 000 visitors in 2004-05.

Uluru-Kata Tjuta (Ayers Rock and the Olgas) continues to be the most visited national park in the Territory, having steadily grown in popularity over the past two decades. The park attracted 357 000 visitors in 2004-05, up from 349 000 visitors in 2003-04. Visitors to Watarrka National Park (Kings Canyon) increased by 19 000 to 270 000 visitors in 2003-04 (data for 2004-05 is unavailable). In the decade to 2003-04, visitors to Watarrka have increased at an annual average rate of 8.7 per cent, reflecting improved access and facilities. After two years of decline, visitor numbers to Litchfield National Park have recovered somewhat, increasing by 29 000 (to 258 000 visitors) in 2004-05. Visitors to Nitmiluk National Park (Katherine Gorge) decreased by 37 000 to 232 000 visitors over the same period. Visitor numbers to Kakadu National Park continue their steady decline from the 1995-96 peak, falling at an average annual rate of 3.2 per cent over the past decade. With 165 000 visitors in 2004-05, Kakadu was by far the least visited of the Territory’s major national parks, attracting fewer than half the numbers visiting Uluru-Kata Tjuta.

The overall decline in visitors to the Territory’s major national parks in recent years reflects in part the weakness of the tourism industry, but may also reflect more reliable and consistent counting methods since 2000.
Capacity

About three-quarters of interstate and international visitors enter the Territory by air. As such, air access remains a key factor for the Territory’s tourism industry and the importance of competitive, reliable and accessible services cannot be overstated.

In 2005, average weekly international seat capacity into the Territory increased by 9.8 per cent to 1926 seats, the highest level since 2001. In December 2005, the low cost carrier Tiger Airways began a four times weekly service between Singapore and Darwin, resulting in an additional 720 seats per week on this route. In January 2006, Qantas introduced a four times weekly service from Sydney to Mumbai via Darwin, resulting in Darwin gaining three additional weekly services from Sydney.

Royal Brunei announced in April 2006 that they would temporarily reduce services to Darwin from three to two per week. A date for the reinstatement of the third service is not known.

Domestic seat capacity increased by 8.1 per cent in calendar year 2005, reaching a record yearly average of almost 12 000 seats per week. This reflects increased capacity on Qantas services, which more than offset the withdrawal of Virgin Blue’s Alice Springs-Adelaide and Darwin-Melbourne services in September 2005. Further increases are expected for 2006, with Qantas subsidiary Jetstar entering the Territory market, providing an additional 700 seats from May 2006, increasing to 900 seats in June 2006.

An emerging feature of the international carrier market is the currently small but significant charter flight segment. Alice Springs airport accommodated its first direct international charter service from Japan in 2003. There since been seven charters in total, bringing more than 2000 Japanese travellers into Alice Springs. In late 2005, a further two flights from Tokyo and Osaka were announced, with 700 Japanese visitors arriving in Alice Springs in December 2005 and January 2006. This brings the total number of charters from Japan to nine.

For more detail on Territory air capacity, see Chapter 14 Transport and Communication.

Note:
Cairns-Gove and Cairns-Groote Eylandt services are not included. The Cairns-Gove service has a capacity of 805 seats per week; the Cairns-Groote Eylandt service ceased in 2003.
Source: Department of Planning and Infrastructure
Rail Transport
From its beginning in February 2004 through to December 2005, the Adelaide to Darwin railway has carried almost 140 000 passengers, exceeding initial expectations of around 40 000 passengers per year. In 2005, the service ran once a week, with a second service running twice a week for the peak season of May to July. The second weekly service was extended to the full year from March 2006.

Accommodation
Northern Territory hotel and motel occupancy rates increased by 4 percentage points to 60 per cent in 2004-05, while occupancy rates for backpacker hostels continued their steady decline, falling 3 percentage points to 43 per cent. The number of beds in Territory hotels, motels and hostels has remained fairly steady, increasing by 2 per cent over the past five years.

Investment related to tourism infrastructure, as with much non-residential building activity, tends to be volatile, especially in smaller jurisdictions like the Territory. Development over the past few years has been relatively subdued, however tourism-related investment has recently been increasing. Construction of the Darwin Airport Resort was completed in May 2005, at a value of $10 million, and a number of other projects are under way, or are scheduled to start in 2006, including further tourist accommodation development and the Darwin Waterfront Development project (see ‘Tourism Investment’ below for more details).

Outlook
The outlook for tourism in the Northern Territory is broadly positive. Continued low unemployment and solid wages growth should support further growth in both intra-Territory and interstate visitor numbers.

Global economic growth, led by the United States and China, is becoming more broadly based, with improving conditions in Japan and Europe (both key markets for tourism in the Northern Territory), as well as East Asia and other emerging economic regions. Growth in the world economy is estimated to have been well above average in 2005, and this is likely to continue in 2006.

In the absence of major international shocks, such as terrorist attacks or health epidemics, growth in international arrivals to Australia should continue in 2006 and 2007. The short to medium term potential for further depreciation of the Australian dollar could also drive growth in international visitor numbers, while encouraging more Australians to take domestic holidays. A key challenge for the Northern Territory will be to recapture and expand its share of the international tourism market in Australia.

In 2003-04, the Northern Territory Tourist Commission (now Tourism NT) received a funding increase of $27.5 million over three years aimed at helping rebuild tourism demand following the 2001 downturn. A funding increase of $10 million per year from 2006-07 will enable a continuation of marketing and tourism development activities at current levels, following a major update of the Northern Territory's tourism brand in March 2005.

Tourism Investment
Both government and private sector investment in the tourism industry will continue in 2006 and 2007, with a number of major projects being planned or currently under way.

The first stage of the $1.1 billion Darwin Waterfront Development is well under way. Stage 1 is scheduled for completion in 2008, and includes the construction of the Convention and Exhibition Centre, retail and recreation facilities and a hotel consisting of 141 serviced holiday apartments. A new $4.5 million cruise ship terminal will also be built at Fort Hill Wharf and is scheduled to be completed by December 2006.
Other current and upcoming projects include:

- the $100 million Outrigger Pandanas development in Darwin, consisting mainly of serviced holiday apartments, to be completed in 2007;
- a new $20 million redevelopment of the Mirambeena Resort to create an extra 126 rooms;
- the $27 million Desert Rest Solar Holiday Village in Alice Springs;
- the $60 million Darwin Chinatown development to be completed in 2009; and
- the Territory Government is currently seeking expressions of interest for the development of a low-rise tropical resort at the Little Mindil site in Darwin.

The Melaleuca on Mitchell backpacker hostel in Darwin was completed in 2004 and is the first stage of a larger development proposed to include retail and recreational facilities.

The sealing of the Mereenie loop road (linking Alice Springs and Yulara via Kings Canyon) and the Litchfield loop road providing better access to Litchfield National Park over the next few years will improve basic infrastructure. These are significant longer term investments in the tourism industry in these regions.

**Risks**

The major risks to continued recovery in the tourism industry include unlikely events such as terrorist attacks or an international health crisis due to an influenza pandemic, either of which could have a sudden and significant impact on international travel intentions. Nonetheless, as the global economic expansion continues, notably in the Territory’s key source markets, and the drivers of demand for tourism services remain positive, growth in visitor numbers to the Territory are expected to strengthen in the short to medium term.
Rural industries and fisheries are vital in regional and remote areas, providing direct employment for about 2400 people and representing an important source of economic development. These industries also account for a significant share of Territory export revenue, with the total value estimated at $139 million for 2004-05, or 6.3 per cent of total exports.

Rural industries in the Territory comprise cattle and other livestock (buffalo, crocodiles, poultry, pigs and camels), horticulture (fruit, vegetables, nursery and cut flowers) and mixed farming (field crops, hay and seeds, and forestry). The fisheries industry comprises the harvest of wild catch and aquaculture.

Rural industries and fisheries accounted for 2.8 per cent of Territory gross state product (GSP) in 2004-05 and 2.6 per cent of resident employment.

Rural industries and fisheries accounted for 2.8 per cent of Territory gross state product (GSP) in 2004-05 and 2.6 per cent of resident employment.

The Territory enjoys certain comparative advantages due to its capacity to supply markets with a range of early season and out of season produce, and benefits due to an environmentally clean image.

Output growth in the industry tends to be volatile due to variable weather conditions, while the exchange rate can have a significant effect on international demand. In the Territory, average annual output growth has been below broader economic growth over the past 10 years.

The value of rural industries production was estimated at $496 million in 2005-06, an increase of 1.6 per cent from 2004-05.

The value of production is forecast to increase by 5.5 per cent to $524 million in 2006-07.
Cattle

The value of Northern Territory cattle production for 2005-06 is estimated at $254 million, up 5.7 per cent from 2004-05. The pastoral industry is a major contributor to incomes in rural areas and provides considerable flow-on benefits to other industries, particularly transport and retail trade. In 2005-06, cattle production is estimated to have accounted for more than 50 per cent of the total value of rural industries and fisheries production.

In 2004-05, the most recent year for disaggregated data, almost 501 396 cattle were turned off from Territory pastoral properties, an increase of 0.5 per cent from 2003-04. Increases in live cattle exports and interstate cattle movements offset a 75 per cent decrease in cattle slaughtered in Territory abattoirs. Of Territory cattle turned off in 2004-05, 53 per cent were destined for interstate markets, 47 per cent were exported live overseas and less than 1 per cent were slaughtered at Territory abattoirs. Interstate movement of cattle increased by 83 per cent in 2003-04, overtaking overseas exports as the dominant destination for Territory cattle.

About 265 000 head of cattle were sent interstate in 2004-05, up 1.5 per cent from 2003-04. Queensland was the main destination for Territory cattle, taking about 62 per cent of the total interstate movement of cattle. South Australia took about 24 per cent and 14 per cent went to other jurisdictions. The value of interstate trade of Territory cattle was $117 million in 2004-05.

The majority of cattle destined for interstate markets are feeder cattle for further growing before slaughter and sale in the domestic and international markets. About 65 per cent of beef produced in Australia is exported, mainly to the United States (the US) and Japan. In 2004-05, Australian beef exports benefited from the absence of US beef from North Asian markets, due to bans associated with the discovery of bovine spongiform encephalopathy (BSE) in the US in 2003. This boosted demand for Australian beef in Japan, Korea and Taiwan and lifted beef and cattle prices.
Territory cattle represented about 43 per cent of total Australian live cattle exports to all markets in 2004-05 and about 51 per cent of Australian exports to Asia. A total of 235 501 head of Territory cattle were exported to South East Asia in 2004-05, a marginal increase over 2003-04. The high value of the Australian dollar in 2003-04, higher Australian cattle prices, competition from Australian beef export market, and strong competition from lower priced meat in South East Asian markets from South America and India were the major factors inhibiting expansion in the live cattle export market. In 2004-05, total Territory live cattle exports were valued at $123 million.

Indonesia was the largest market for Territory live cattle exports, taking about 78 per cent of total live cattle exports. Exports to Indonesia increased by almost 16 per cent to 184 174 head in 2004-05. The Philippines imported 29 224 head of Territory cattle in 2004-05, a decrease of 45 per cent compared to 2003-04. The decline reflects continued economic and political problems, the relatively low value of the Philippine peso and competition from cheap South American beef and Indian buffalo meat.

The financial performance of beef producers in the Territory fell in 2004-05, largely due to poorer seasonal conditions in the southern half of the Territory. The Australian Bureau of Agriculture and Resource Economics (ABARE) estimates that the average farm cash incomes of Territory beef producers in 2004-05 was around $208 000 per farm. However, there were considerable variations in farm financial performance between the pastoral regions and between large and small cattle enterprises.

The interstate movement of Northern Territory cattle is expected to remain steady in 2006-07. Interstate movements of Territory cattle are driven by demand for meat both domestically and in Australia’s beef export markets, in particular, Japan, the US and South Korea.

After reaching record levels in 2004 and 2005, Australian beef exports to Japan are forecast to ease in 2005-06 and 2006-07, with the anticipated lifting of the ban on US beef into Japan. A similar weakening of demand for Australian beef in South Korea is also likely in 2006-07, as the ban on US beef is removed there.

Australian beef exports to the US are forecast to increase by 8 per cent in 2006-07, following a 13 per cent decline in 2005-06. Further out, the recovery is expected to continue, however exports to the US will remain below the quota allocation for a number of years, with strong competition from Canadian and Uruguayan beef.

ABARE and Meat and Livestock Australia (MLA) projections show a modest recovery in the Australian live cattle export trade in 2006-07, with exports increasing by about 5 per cent. The recovery will be driven by some easing in competition from the meat trade and an improvement in South East Asian demand as economic growth rebounds in these countries. However, competition from South America and India is still expected to be strong enough to prevent a major recovery in cattle shipments to South East Asian markets.

Territory live cattle exports to South East Asia are expected to increase slightly but will depend critically on exchange rate movements and price competition from cheaper substitutes (beef and buffalo meat) from the Asian subcontinent and locally supplied meats such as pork and chicken.
Northern Territory Rural Industries and Fisheries

- **Rural Industries and Fisheries**
- **2006-07 budget**
- **The Economy**

Map of Northern Territory showing locations such as Alice Springs, Tennant Creek, Avon Downs, Barrow Creek, Kalkarindji, Pine Creek, Dunmarra, Mataranka, Yuendumu, Harts Range, Renner Springs, Elliott, Borroloola, Top Springs, Ti Tree, Yulara, Bathurst Island, Melville Island, Jabiru, Nhulunbuy, Horticulture, Prawns, Pigs, Poultry, Crocodiles, Rangeland Cattle, Aquaculture, Commercial and Recreational Fishing, Horticulture Potential, Mixed Farming, Ord Irrigation Area, Katherine Daly Basin, Katherine, Daly Basin, Rangeland Cattle, Horticulture, Northern Territory Rural Industries and Fisheries.
Other Livestock Industries

In 2005-06, the production value of other livestock industries in the Northern Territory was estimated at $10 million, contributing 2 per cent to the total value of Territory rural industries and fisheries. Other livestock industries supply eggs, poultry, pork and buffalo to local markets. Buffaloes, horses, camels, deer, pigs and goats are also exported live overseas, while horses, camels and crocodiles are exported live interstate. Crocodile skins and flesh are produced for local and export markets. Other livestock production is expected to be steady in 2006-07.

Horticulture

The Territory horticulture industry includes fruit, vegetables, nurseries and cut flowers, and contributed 16 per cent to the total value of Territory rural industries and fisheries production in 2005-06. The value of horticultural production for 2005-06 is estimated to be around $80 million, a decrease of 19 per cent from 2004-05. The main reason for the decline was a large drop in mango production due to the biennial production cycle of mango trees.

The majority of Northern Territory horticultural production is destined for interstate markets. The main fruits produced in the Territory include mangoes, table grapes, bananas and rockmelons. Fruit production was 34 per cent lower in 2005-06 largely due to a decline in mango production. Mango production declined from 19,226 tonnes in 2004-05 to 8,400 tonnes in 2005-06, however the value of production fell by only 29 per cent to $30 million due to price increases.

The production of table grapes declined again in 2005-06, primarily due to a high incidence of nematode infestation which depressed yields. Only 1300 tonnes of grapes were produced in 2005-06 compared to a peak of 4,000 tonnes in 2001-02. The value of table grapes in 2005-06 was $5.8 million. Established grape growers are implementing a five year vine replacement program with stock tolerant of nematode infestation.
In 2005-06, banana production was at the same level as 2004-05 but banana prices declined, reducing the value of production to $4.2 million. The decrease in value of the crop in recent years has been due to Panama disease, which caused the closure of a number of commercial banana farms. Although the disease has not affected interstate market access, it has had a negative impact on production, and the potential spread of the disease remains a major concern. In response to industry concerns, the Northern Territory Government has established new research facilities to produce banana varieties resistant to, or more tolerant of, Panama disease. It is hoped that some new varieties will be available for use by the industry within the next few years.

Melon production in 2005-06 was similar to that in 2004-05. However, rockmelon prices declined and the value of production was $4.5 million, a 30 per cent decline from 2004-05.

The production of exotic fruits such as rambutan, jackfruit, dragon fruit, guavas, carambolas, Fiji apples/hog plums and star apples remained steady in 2005-06, but prices and therefore production values were generally lower. Territory vegetable production in 2005-06 was 6027 tonnes, a marginal increase over 2004. Prices of most vegetables increased leading to a 10 per cent jump in the value of vegetable production to $16 million.

**Horticultural Outlook**

In the short term, the outlook for Territory horticultural production is expected to improve, driven mainly by increases in mango and grape production. In the longer term, favourable climatic conditions, a relatively disease-free status, improved product quality, expanded marketing efforts and the relatively unrestricted access to domestic and international markets will underpin future industry growth.

As juvenile trees continue to mature, further increases in the supply of mangoes are expected, ensuring that mangoes remain the major horticultural output in the Territory for the foreseeable future. However, as mango production increases, a number of issues will emerge in terms of labour supply, price pressure and the need to develop new markets as well as for the logistics/supply chain and quality assurance and control.

Until bananas resistant to Panama disease become commercially available, further industry development will be constrained. In the meantime, some banana growers are diversifying into other crops, such as rockmelons or watermelons, as a temporary measure. Banana prices have increased markedly following extensive damage to the north Queensland banana industry from Cyclone Larry in March 2006. Prices are expected to remain high during the 2005-06 and 2006-07 seasons as the Queensland banana industry recovers.

Production of rockmelons and other melons in the Territory has risen in recent years, with large areas planted in the Darwin and Katherine regions, including production from a number of traditionally mixed cropping farms. The Territory has the advantage of supplying off season melons to southern states during the winter months. Territory melons have been successfully exported to Singapore, Malaysia and Hong Kong in the past and, if production continues to increase, they will probably again be exported to overseas markets.
Commercial growers of the newer exotic fruits, especially dragon fruit, are establishing further areas of these crops in recognition of their potential. A breakthrough in exporting rambutans to the lucrative Japanese markets should continue to encourage further investment and growth in this sector.

The nursery and cut flower sectors also have good prospects for expansion, especially in the Top End, where climatic conditions provide distinct production advantages for a wide range of tropical varieties. In addition to current heliconia and orchid production for southern markets, continuing research and development of additional nursery varieties should result in production levels increasing.

**Mixed Farming**

Mixed farming includes hay and pasture seed production, cereal crops such as sorghum and maize, other crops such as peanuts, sesame and soybeans, and farm forestry. The value of field crop production in 2005-06 is estimated at $15 million, an increase of 2.5 per cent from 2004-05. Field crop production is dominated by hay and fodder grown in the Katherine, Douglas/Daly and Darwin areas for the live cattle export industry.

Farm forestry is estimated to have increased by 149 per cent to $15 million in 2005-06, following growth of 123 per cent in 2004-05. On Melville Island, a multi-million dollar private forestry development project is under way, following the trial export of 14 000 cubic metres of logs in 2003-04.

**Fishing**

The Northern Territory fishing industry comprises commercial, recreational and traditional Indigenous sectors. The commercial sector includes the harvesting of wild catch fisheries and aquaculture as well as the processing, trade and retailing of seafood.

In 2005-06, the value of Territory fisheries production is estimated to have increased by 2.3 per cent to $122 million. The value of production over recent years has fluctuated widely due to climatic and demand conditions, increasing by 25 per cent in 2003-04, and falling by 8.4 per cent in 2004-05.

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* Aquaculture is predominantly pearls, but also includes prawns and barramundi aquaculture; Other includes species of finfish, crustaceans, molluscs and echinoderms.
* Source: Department of Business, Economic and Regional Development
Prawn and aquaculture production (primarily pearls and barramundi) are the major components of fishing output. Combined, these two sectors accounted for almost 75 per cent of the value of Territory fisheries production in 2005-06. A sharp fall in the value of aquaculture production in 2000-01 was associated with a dramatic decline in international pearl prices and major producers delaying harvest.

Effective management of fisheries continues to be an integral component of the Territory’s long-term resource strategy. Over the past decade, important changes have occurred in fisheries adjacent to the Territory. The Northern Prawn Fishery has seen the greatest adjustment, with voluntary and compulsory reductions resulting in boat numbers falling from about 350 in the early 1980s to 95 boats in 2004.

Other adjustment measures have included a licence buyback, gear restrictions, seasonal closures, river closure and minimum size limits. The closure to commercial barramundi fishing of the McArthur River in 2002 and the Adelaide River in 2004 were major initiatives, with the resources being reallocated to the recreational sector.

Recreational fishing is one of the most popular leisure activities in the Territory. Latest estimates place spending on recreational fishing in the Territory at more than $27 million per annum. Recreational fishing is also an important tourism segment, especially in the Top End and around Borroloola.

Steady growth in the gross value of production is forecast for 2006-07 and 2007-08, driven mainly by growth in the aquaculture sector.

Aquaculture is forecast to expand by 10 per cent to $29 million in 2006-07, and 8 per cent in 2007-08. The positive outlook is influenced by a number of potential developments, including a major expansion in the farmed barramundi industry and a large scale trepang hatchery, currently in its pilot phase on Channel Island.

Pearl production is expected to show steady growth over the next few years, increasing from $17 million in 2004-05 to an estimated $22 million in 2010-11.
• Over the past five years, the construction industry has on average accounted for 6.5 per cent of Territory gross state product and employed 7.3 per cent of the workforce.
• The period immediately following the major defence force relocation to the Top End coincided with a marked reduction in construction activity, as economic and population growth weakened.
• Major infrastructure projects such as the Bayu-Undan oil and gas development and the liquefied natural gas plant at Wickham Point, as well as the Alcan G3 refinery expansion, have kept engineering construction at record levels in recent years.
• Property markets have strengthened significantly since 2004. After increasing by 3.9 per cent to $2.1 billion in 2004-05, the value of construction work done is estimated to decrease by 7.3 per cent to $1.9 billion in 2005-06.
• In 2006-07, the value of construction work done is forecast to decrease by 52 per cent to $916 million. The completion of work on the Wickham Point LNG plant is the major factor contributing to the decline.
• In 2006-07, construction activity will again be underpinned by engineering work for major projects, particularly the Alcan G3 refinery expansion, and will be further supported by solid residential activity associated with recovering population growth in the Darwin region.

Construction is a major Territory industry, but is highly volatile, accounting for 7 per cent of gross state product (GSP) in 2004-05 compared to 6 per cent nationally.

Construction activity slowed markedly following the strong growth of the mid to late 1990s associated with the defence build up (Chart 11.1). In 2000-01, construction work done totalled less than $0.6 billion, increasing to $1.7 billion in 2001-02 and 2002-03, primarily driven by construction work for the Alice Springs to Darwin railway and Bayu-Undan stage 1. Activity reached record levels in 2003-04 and 2004-05, with construction for Bayu-Undan stage 2, the LNG plant at Wickham Point and the $2 billion Alcan G3 refinery expansion at Gove.
The construction industry is a significant employer in the Territory, accounting for 7.3 per cent of resident employment in the past five years. Although major projects such as the Alcan G3 refinery expansion at Gove create a significant number of jobs in the Territory, this is not necessarily reflected in resident employment figures as reported by the Australian Bureau of Statistics (ABS). The primary reason is that the very large scale of these projects combined with a limited pool of skilled local workers results in a strong reliance on fly in fly out (FIFO) employees.

Projects such as the Alcan G3 refinery expansion have a huge impact on the value of construction work done in the Territory. They are significant both on a Territory and a national scale and can lead to substantial volatility in the value of construction work done. However, the impact of these projects on underlying economic activity may be less substantial due to their location, often in remote areas or offshore, use of FIFO workers and the importation of equipment and construction materials from outside the Territory.

Residential Construction

Residential construction includes the building of new houses and other residential buildings, residential conversions, alterations and additions to residential buildings.

Demographic, social and economic factors have strong influences on the demand for residential dwellings and, in turn, on construction. Factors affecting the demand for housing include the rate of new household formation, the distribution of income and wealth, the availability and cost of housing, the price of new dwellings relative to existing dwellings and government housing policies. In the short term, interest rates and business and consumer confidence are also major influences on the building cycle.

Territory housing construction sustained strong levels of activity throughout the late 1990s (Chart 11.2). Growth reflected the impact of the increased defence presence, which in conjunction with activity in tourism and other sectors, boosted economic and population growth and demand for dwellings. Combined with relatively low interest rates and tax incentives, this growth generated strong investor and developer confidence in the residential market, particularly in the Darwin area and notably for units and high-rise apartment complexes.

Source: Northern Territory Treasury, ABS Cat. No. 8752.0

Chart 11.2: Territory Residential Building Work Done (moving annual total, 2003-04 dollars)
Land

The completion of the defence build up and a general downturn in the onshore economy from 2000 saw land sales decline over the period to 2003, to about half the 1998 peak. In 2004, land sales began a steady improvement in line with stronger housing demand. The pace of land sales continued to grow in 2005, increasing by 19 per cent in the year, albeit from a relatively low level. In 2005, Palmerston accounted for 78 per cent of all residential land sales, up from 65 per cent a year earlier, while Darwin accounted for 19 per cent of sales, down from 31 per cent, and Alice Springs accounted for 3 per cent of sales (Chart 11.3).

Alice Springs

In Alice Springs, a shortage of residential land for development over the past decade was associated with native title restrictions on the release of crown land. A landmark Indigenous Land Use Agreement (ILUA) between the Territory Government and the Lhere Artepe native title holders was finalised in April 2004. The agreement led to the release of 40 residential blocks in the new subdivision of Stirling Heights. In recent years, two large rural resident developments have been proposed for the Alice Springs region, which may provide up to 400 new blocks.

Darwin

Subdivision of Darwin’s newest suburb, Lyons, will begin in 2006. Lyons is a joint public-private sector development and will create approximately 700 residential lots on 77 hectares of surplus defence land near Lee Point. The suburb will be developed concurrently for defence and private sector housing.

Although Darwin is currently seeing substantial construction of medium and high density dwellings (notably in the central business area), a number of new housing estates close to the central business district have also been developed in recent years including Bayview, Woolner, Parap Grove, The Narrows, Tipperary Waters and City Valley.

Palmerston

Strong population growth from 1995 to 1998 associated with the defence build up, combined with the limited supply of land for housing development in Darwin, was the primary stimulus for the rapid growth of Palmerston. Palmerston’s ready supply of land has seen the suburbs of Durack (Fairway Waters), Gunn (The Chase), Bakewell, Farrar and Rosebery develop and grow substantially in a relatively short time. Demand has recovered rapidly from the low levels experienced in 2002-03, bolstered by owner-occupier and investment demand, and supported by increased home ownership incentives offered through the Northern Territory Government’s HomeNorth Scheme.

Access to land for residential development is not an immediate issue in Palmerston; available land in Gunn, Farrar, Durack and Rosebery is considered sufficient for at least the next five years.
Residential Building Approvals

Residential building approvals are a lead indicator of short-term dwelling construction activity. Following strong growth in the mid to late 1990s, approvals peaked in 1998-99. Approvals declined by 30 per cent in both 1999-2000 and 2000-01, followed by two years of stagnation (Chart 11.4).

Several factors contributed to the downturn. The primary reason was overbuilding resulting from the defence-related construction boom of the 1990s. Weaker population growth and rising interest rates also acted to dampen owner-occupier and investor demand. The introduction of the Territory Government’s QuickStart scheme and the doubling of the First Home Owner Grant helped to halt the rate of decline, with private sector approvals increasing by 2 per cent in 2001-02.

Approvals were unchanged in 2002-03 as the introduction of Government incentives in the previous year acted to pull forward activity. Strong growth in other residential building approvals was more than offset by a decline in house approvals, which fell to their lowest level since 1989.
In 2004-05, approvals increased by 18 per cent to 1388, with solid growth in both new houses (up 24 per cent), and approvals for several large apartment complexes which increased ‘other’ dwellings approvals by 18 per cent.

**Property Markets**

Movements in property markets continue to be the largest influence on the residential construction sector in the Territory. The building industry and property markets are subject to strong fluctuations in activity, real estate prices and sales volumes.

The Territory did not experience the housing price boom seen in most southern states in the period leading up to 2004. The Real Estate Institute of Australia (REIA) reports that established house prices in Darwin increased by 58 per cent in the five years to 2005, the second lowest growth of the eight capital cities (behind Melbourne).

In 2005, Darwin house prices increased by 15 per cent, the strongest growth since the mid 1990s (Chart 11.5). Nevertheless, the Territory continues to have the most affordable housing of all jurisdictions, according to the REIA.

The other dwellings market (townhouses and units) tends to be significantly more volatile than the market for houses (Chart 11.5), with prices fluctuating with the release of major new developments, changes in investor sentiment and distinct cycles of under and over supply.

The REIA estimates that other dwelling prices in Darwin increased by 13 per cent to $176,300 in 2004, as investors and owner occupiers returned to the market. The other dwellings market strengthened further in 2005, with median prices increasing by 24 per cent to $216,100. Over the five years to 2005, other dwellings prices increased by 44 per cent, compared to 58 per cent for houses.

Residential property sales peaked in 1999, boosted by public sector disposals related to the Territory Housing divestment program. Property sales fell significantly in 2000 and 2001, notably for houses, which fell more than 30 per cent over the two year period.

Sales numbers for both houses and other dwellings have improved markedly since the trough in mid 2001 (Chart 11.6). Growth has been driven equally by sales of other dwellings and houses over this period, although the proportion of unit sales has increased significantly. Sales growth has slowed markedly since mid 2004; nonetheless house sales are at record levels and other dwellings sales are close to record levels.
Rental Market

Territory rental vacancy rates were at relatively high levels for several years until early 2002, reflecting a general oversupply. Over the past three years, vacancy rates have fallen to levels that suggest demand will outpace supply in the short to medium term. The Real Estate Institute of the Northern Territory (REINT) reports the average residential vacancy rates for 2005 as:

- Darwin – 2.0 per cent for houses and 2.6 per cent for units;
- Palmerston – 2.8 per cent for houses and 2.2 per cent for units;
- Alice Springs – 3.3 per cent for houses and 4.2 per cent for units; and
- Katherine – 3.1 per cent for houses and 2.1 per cent for units.

According to the REIA, rental income for a three-bedroom house in Darwin averaged $300 per week in 2005, the highest average weekly rental income on record. A two-bedroom unit generated average weekly rental income of $220 for the same period, up from $210 in 2004.

Public Housing

In the Territory, the main providers of housing assistance are Territory Housing, which manages the Territory Government’s public and government employee housing stock, the Indigenous Housing Authority of the Northern Territory (IHANT) and the Defence Housing Authority (DHA). These organisations provide partially or fully subsidised accommodation to eligible low-income earners, public sector employees, Indigenous Territorians and defence personnel.

In the Territory, the number of households in public sector dwellings is relatively high, with 2001 Census data reporting that 15 per cent of households were renting from a state housing authority compared to 5 per cent nationally. This proportion has fallen since the 1996 Census, when 29 per cent of households were renting from a state housing authority in the Northern Territory.

Territory Housing

Territory Housing owns and manages more than 7200 dwellings throughout the Territory.

Construction work since 2003-04 has concentrated on increasing the maintenance and upgrade program to address the deterioration in condition and amenity of Territory Housing stock. In addition, a number of public housing complexes were redeveloped to reduce density and minimise associated antisocial behaviour. There has also been an increased emphasis on the provision of government employee housing in remote areas.
Significant Territory Housing projects in 2004-05 include the completion of 40 ground level two-bedroom units at the Fannie Bay Seniors Village, the construction of 34 government employee dwellings in remote communities at a cost of $10.6 million, the replacement of 40 government employee dwellings at a cost of $14.6 million and the upgrade of 53 dwellings at a cost of $5.3 million.

Since 1991, Territory Housing has supported home ownership through a program to provide home loans under the HomeNorth scheme. HomeNorth provides assistance to low and middle income households which are unable to obtain finance through private sector financial institutions.

The scheme was popular in the late 1990s, but the level of uptake declined in 2000. In 2001 the number of new loans decreased by 21 per cent to 251. This decline continued before reaching a low of 178 approvals in 2003. There was an 88 per cent increase in 2004 to 335 approvals, albeit from a relatively low base reflecting increased confidence in the Darwin housing market and improvements to the scheme. Major changes to the scheme in July 2005 resulted in a 44 per cent increase (to 483) in the number of new loans in 2005.

IHANT was formed in 1995 and is responsible for the development of improved housing for Indigenous Territorians. During 2004-05, 94 new dwellings were constructed and 22 dwellings were upgraded and renovated at a cost of $20 million. IHANT also generates considerable building activity through its maintenance program.

In December 2005, the Australian Government and the Northern Territory Government signed the Agreement for the Provision of Housing and Housing Related Infrastructure for Indigenous People in the Northern Territory 2005-2008. The agreement effectively moves the expenditure from the Australian Government’s National Aboriginal Health Strategy to existing Indigenous housing programs administered by the Territory Government.

Defence relocations in the mid to late 1990s resulted in significant residential construction through DHA. DHA provides housing for defence personnel through its ownership of dwellings, development activity, and through the leasing of properties from the private sector. DHA-managed stock in the Territory has increased from about 1250 dwellings in 1992 to 2215 dwellings since June 2005. DHA is also a partner in the development of the new Darwin suburb of Lyons near Lee Point, and will retain at least 300 residential lots. Construction is expected to take place over a five year period from mid 2006.

Non-Residential Building

Non-residential building includes hotels, shopping centres, factories, offices, schools, hospitals and cinemas. The level of private sector investment in non-residential building is determined by several factors, including the adequacy of existing capital stock, interest rates, anticipated future demand and general business confidence.

Public sector expenditure on non-residential building is targeted to meet medium to long-term needs and provide social and economic infrastructure such as schools, hospitals and roads.

Population growth fuelled the need for expanded social and commercial infrastructure required to support growing demand, notably for shopping and educational facilities. Strong tourism growth in the 1990s also resulted in major hotel investment.
In line with the completion of major defence works and moderating population growth, non-residential building eased in 1999-2000 and 2000-01. Strong growth of 25 per cent in 2001-02 was primarily associated with upgrades at the Darwin and Alice Springs hospitals and the significant expansion of the Ayers Rock Resort at Yulara. Non-residential building activity fell in 2002-03 as the completion of the hospital upgrades reduced public investment.

Non-residential activity increased by 15 per cent in 2003-04 and by 3 per cent in 2004-05 primarily due to public investment expenditure which increased by 68 per cent. The most notable of the public sector investment projects was defence-related infrastructure, including the co-location of the 1st Aviation Regiment to Darwin and the Bradshaw Field Training Area. Total non-residential building activity is estimated to have increased by 6.9 per cent in 2005-06 (Chart 11.7).

Private Sector

Private sector non-residential construction fell by 25 per cent in 2004-05, with projects struggling in an environment of rising labour costs and skills shortages as they were unable to match wages and conditions offered by mega-projects such as the Wickham Point LNG plant and the Alcan G3 refinery expansion.

Public Sector

Territory Government investment for non-residential building in 2004-05 included the commencement of the construction of a bulk loading facility at East Arm, a low security correctional centre in Darwin and classrooms at Darwin High School. Health-related projects included the construction of hospice and palliative care facilities at Royal Darwin Hospital, a renal health clinic in Tennant Creek and remediation works at Alice Springs Hospital. Additionally, as part of the National Aboriginal Health Strategy, a number of health clinics were built or upgraded in remote communities.

Public sector non-residential construction activity eased in 2005-06 as the work related to the upgrade of Robertson Barracks concluded. Although this was somewhat offset by Northern Territory Government and cooperative projects, public non-residential activity is estimated to have fallen by around 16 per cent in 2005-06.

At the local government level, the Alice Springs Town Council began a $9 million redevelopment of the Civic Centre in late 2004. Stage 1 of the development was completed in late 2005, with stage 2 scheduled to be completed in early 2006.
The $1.1 billion Darwin Waterfront Development, a joint private and public sector project, commenced in 2005 and will continue to provide a stimulus to the non-residential construction sector over coming years. In particular, the $100 million Darwin Convention and Exhibition Centre, as well as commercial space, serviced apartments and a hotel, has a minimum 85 per cent local content requirement for contractors and suppliers.

In 2005-06, the Darwin Waterfront Development, along with other large non-residential projects, such as stage 1 of the Darwin Chinatown development (consisting of an office tower and carpark) and the $100 million Outrigger Pandanas serviced apartments, will lead to an estimated 29 per cent increase in private non-residential construction activity.

**Engineering Construction**

Traditionally, engineering construction activity in the Territory has been predominantly funded by the public sector and largely focused on infrastructure development.

However, as a proportion of work done, private sector engineering construction has grown over the past decade. Work on the Alice Springs to Darwin railway and Bayu-Undan stages 1 and 2 have resulted in private sector work exceeding that of the public sector. Based on current projects, private sector engineering will remain at high levels until 2007, as investment for Bayu-Undan stage 2 and the Alcan G3 refinery expansion at Gove (the main drivers of engineering work done) reach their peak in 2005-06.

Excluding the impact of the Timor Sea oil and gas mega-projects such as the Laminaria-Corallina oilfields in 1998-99, the Bayu-Undan oil and gas project (2002 to 2005) and the Alcan G3 refinery expansion (2004 to 2006), private sector engineering activity has averaged around one-third of the total engineering construction work done since 1990.

**Major Projects**

Territory engineering construction increased seven-fold from $179 million in 2000-01 to more than $1.3 billion in 2001-02. The sharp spike was primarily attributable to work for Bayu-Undan stage 1 and the railway (Chart 11.8). As expenditure for these projects continued in 2002-03, engineering construction activity increased by a further 6 per cent to $1.4 billion.

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*Source: Northern Territory Treasury, ABS Cat. Nos 8762.0, 8782.0.0.65.001*
The railway project and associated bridge work accounted for an estimated 15 per cent of total engineering work done in 2001-02, increasing to more than 20 per cent in 2002-03 as construction reached peak levels. The construction of stage 2 of the East Arm Port also contributed significantly to total engineering construction work done during 2002-03 and, to a lesser extent, into 2003-04.

Engineering construction work increased by 19 per cent to more than $1.6 billion in 2003-04 and by 0.6 per cent in 2004-05. The significant increase was predominantly due to work for Bayu-Undan stage 2 commencing in mid 2003, including the construction of the US$1 billion LNG plant at Wickham Point and a US$500 million sub-sea pipeline. The Wickham Point LNG plant was completed in December 2005, marking the conclusion of the construction phase of the Bayu-Undan project, which is the major contributor to the estimated 14 per cent decline in engineering construction work in 2005-06.

In late 2004, work commenced on the $2 billion expansion of the Alcan G3 refinery at Gove. This project is the first major project in the Territory to make use of pre-assembled modules (PAMs). The 600 modules are assembled offsite (primarily in Malaysia and Thailand) and shipped to Gove for installation. This process enables the majority of fabrication work to be carried out in locations where skills are more available and costs are lower. The Alcan expansion will substantially increase the capacity of the existing refinery and is due to be competed in October 2006.

Other major engineering projects commenced or continuing in 2005-06 include the $70 million Darwin biodiesel plant, the $65 million Bradshaw Field Training Area at Timber Creek, and $37 million related to infrastructure for the Darwin Waterfront Development.

Construction Outlook

Given the uncertainty surrounding many of the factors influencing the decision to proceed with construction activity, timing can be unpredictable. These factors include the investment climate, access to capital, the outlook for global economic growth, commodity prices, the value of the Australian dollar and perceptions about the Territory’s comparative advantages.

Construction activity in the Territory is forecast to decrease by 52 per cent to $916 million in 2006-07. The value of residential building is forecast to decrease by 6 per cent to $314 million and non-residential construction is forecast to decrease by 4 per cent to $195 million. The dominant influence will be engineering construction, which is forecast to fall by 71 per cent ($1 billion) to $406 million.

The outlook is for weakening residential construction activity in 2006-07, with work done forecast to decrease by 6 per cent, but will remain at historically high levels after increasing by an estimated 20 per cent in 2005-06.

With a relatively strong property market, strengthening population growth and buoyant employment prospects, consumer and investor confidence is expected to continue in the short term, although the threat of rising interest rates could act to dampen activity. A number of large multi-storey apartment complexes are currently under construction, with more planned in 2006-07, almost exclusively in the Darwin central business district.
The growth in residential activity is expected to peak in 2005-06, although it will remain strong in 2006-07. Major developments proceeding include:

- the Evolution on Gardiner residential and commercial development ($50 million);
- the residential component of the Darwin Waterfront Development ($70 million);
- the residential component of the 26-storey Pandanas Outrigger development ($100 million); and
- the joint venture development of the Darwin suburb of Lyons ($280 million).

Looking further ahead, land availability is sufficient for several years of development at current take-up rates in both Darwin and Palmerston. The completion of relocation of the Stuart Park fuel tank farm to East Arm will create a significant parcel of prime real estate available for residential development in 2007.

Non-residential Building work is forecast to decrease by 4 per cent in 2006-07, following a relatively strong period of activity in recent years primarily due to the completion of defence projects such as the redevelopment of Robertson Barracks and the Bradshaw Field Training Area. This will be somewhat offset by an increase in private sector non-residential construction associated with the Darwin Waterfront Development, including the $100 million Darwin Convention and Exhibition Centre, and the Darwin Chinatown development.

Engineering construction in 2006-07 is forecast to fall by 71 per cent to $406 million, as major engineering projects draw to a close. Public sector investment over the next decade will be focused on the Darwin Waterfront Development.

With major engineering work for Bayu-Undan stage 2 complete, and as the Alcan G3 refinery expansion draws to a close in 2006, engineering construction activity in the Territory will contract substantially in 2006-07. However, new projects such as the $750 million development of the Blacktip gas field in the Joseph Bonaparte Gulf and the $450 million condensate processing facility at East Arm will ensure that engineering activity in the Territory remains at levels well above historical averages beyond 2007.

As the Territory continues to develop as a service and manufacturing hub for the northern Australian mining and energy sectors, further opportunities are likely to be created for the Territory construction industry.
Chapter 12 Manufacturing

Key Points

• The Territory has a small and narrowly based manufacturing sector, dominated by alumina production at Alcan’s Gove refinery. In 2004-05 manufacturing accounted for 7 per cent of gross state product and about 3 per cent of total employment.

• Manufacturing production will be increased significantly in 2006-07 with increased alumina production from the expanded Alcan refinery and liquefied natural gas production from the new Wickham Point facility.

• A further increase is expected in 2007-08 with completion of the condensate processing facility at East Arm, the helium plant at Wickham Point, and a full year of production from the new renewable fuels (biodiesel) facility.

• In the medium to long term, natural gas from the Timor Sea could be used as an input for gas-related manufacturing industries and as a cheaper energy source for mining-related value adding.

The manufacturing sector in the Territory is small compared to other jurisdictions, accounting for 7 per cent of gross state product (GSP) in 2004-05, compared to 11 per cent nationally. About 3000 people are employed in the sector, accounting for 3 per cent of total employment. The manufacturing base in the Territory is also narrow, reflecting the small local market and distance from other major markets. Except for export-focused alumina and liquefied natural gas (LNG) production, the majority of Territory manufacturing is for local consumption.

In 2005-06, manufacturing value added increased by 32 per cent to an estimated $931 million.

Composition

Chart 12.1 shows the proportions of value added, employment and turnover attributable to each subdivision of manufacturing.

Note: Based on latest available data: 2000-01 ‘Employment’ and 2002-03 for ‘Value Added’ and ‘Turnover’.
Source: Northern Territory Treasury, ABS Cat. No. 8221.0
Manufacturing in the Territory is dominated by metal products, which typically account for about 70 per cent of total manufacturing value added, compared to about 18 per cent nationally (Chart 12.1). Although it is much less labour intensive than most other manufacturing subdivisions, it accounts for about 38 per cent of Territory manufacturing employment due to its sheer size.

Metal products manufacturing is dominated by the conversion of bauxite to alumina at Alcan's Gove refinery, producing about 2 million tonnes of alumina and directly employing about 1100 people in 2004-05. The metal products subdivision also includes sheet metal fabrication and the production of materials used in the construction industry.

Fuels and chemicals manufacturing in the Territory has been relatively small accounting for about 6 per cent of total manufacturing value added, compared to 13 per cent nationally. It has previously accounted for just 4 per cent of Territory manufacturing employment. However, the importance of this subdivision is growing, as the Territory’s gas-based processing infrastructure continues to develop.

Production of LNG at Wickham Point, which began in December 2005, will add significantly to the value of Territory manufacturing. The plant is expected to produce 3.2 million tonnes per annum for export to Japan, and directly employ 80 to 100 permanent staff.

Machinery and equipment manufacturing accounts for about 6 per cent of manufacturing value added in the Northern Territory, compared to 19 per cent nationally. It accounts for about 19 per cent of Territory manufacturing employment.

The maintenance requirements of the large, and still increasing, defence presence has the potential to significantly impact machinery and equipment manufacturing in the Territory. The arrival of new Tiger Armed Reconnaissance helicopters later in 2006 and new Abrams tanks in 2007 will provide further opportunities for local manufacturing.

Alumina production is set to increase from 2007, with the expansion of Alcan’s Gove refinery increasing production capacity from 2 million to 3.8 million tonnes per annum. The increased capacity is expected to create up to 120 additional onsite jobs.

Construction of a $450 million condensate processing facility at East Arm is expected to commence in early 2007, with production planned to start in the second half of 2008. The facility will source condensate, which is a light hydrocarbon liquid often found mixed with deposits of natural gas, from the Timor Sea and North West Shelf for the production of petroleum, diesel, liquid petroleum gas (LPG) and jet fuel.

Approval has also been granted for the construction of a helium plant at Wickham Point, which is expected to commence production in early 2007. The plant will use waste from the LNG plant to produce almost 900 tonnes of liquid helium per year, valued at about $20 million, for domestic and export markets.

In the medium to long term, the possibility of bringing more Timor Sea gas onshore offers significant manufacturing opportunities. Negotiations between Timor Leste and Australian governments concluded in January 2006 with the signing of the Treaty on Certain Maritime Arrangements in the Timor Sea. At this stage, however, development of the Greater Sunrise field is on hold with Woodside Petroleum announcing a deferral of the project for at least ten years. The likelihood of bringing gas onshore from the Greater Sunrise field remains uncertain.
Should efforts to bring Timor Sea gas onshore prove successful, it could be used as feedstock for new manufacturing industries. An area at Glyde Point (on the Gunn Point Peninsula) has been identified as a potential site for a major gas-based industrial estate and associated port facilities. Possible gas manufacturing projects include further production of LNG, or gas-based products such as methanol, ethane, ammonia/urea fertilisers and various petrochemicals. Timor Sea gas also has the potential to provide a cheap and efficient energy source for the manufacture of alumina, magnesium and other ore concentrates, and for the production of electricity that could advance local value-adding opportunities.

**Biodiesel**

Construction has commenced on a new $77 million renewable fuels facility at the Darwin Business Park at East Arm, and is scheduled for completion by September 2006. It will have the capacity to produce 130 000 tonnes of zero sulphur biodiesel and pharmaceutical grade glycerine per year for sale to domestic and export markets.

**Railway-related Effects**

The medium to longer term impact of the AustralAsia railway on the Territory’s manufacturing sector is still uncertain. Lower transport costs may have a negative impact on the local manufacture of high-volume, low-value consumer goods such as foods and beverages, which have traditionally been supported by high interstate transport costs. At the same time, lower transport costs may also provide new opportunities for local manufacturing by reducing input costs and providing more competitive access to southern markets.
Retail and Wholesale

Key Points

- Retail and wholesale trade accounted for 6.6 per cent of Northern Territory gross state product (GSP) and 16 per cent of resident employment in 2004-05.
- Following solid growth of 5.3 per cent in 2004-05, Territory real retail turnover growth is expected to moderate to 2.5 per cent in 2005-06. Major contributors to growth in 2005-06 were household goods, hospitality and services.
- Territory retail turnover is forecast to increase by 4.5 per cent in 2006-07, supported by strong employment, a positive outlook for the housing market and stable interest rates.

The retail industry is an important source of employment for Territorians, accounting for 13 per cent of resident employment in 2004-05 compared to 15 per cent nationally. It accounted for 4.7 per cent of Territory GSP, compared to 5.8 per cent of gross domestic product (GDP) nationally (Table 13.1).

Compared to retail trade and wholesale trade in other jurisdictions, wholesale trade in the Territory is a much smaller contributor to the Territory economy, accounting for 1.9 per cent of GSP and 3.0 per cent of resident employment in 2004-05. The relatively small contribution of wholesale trade reflects the Territory’s small size, which means that retailers often source products directly from interstate wholesalers.

<table>
<thead>
<tr>
<th>Population</th>
<th>Percentage of Total Employment</th>
<th>Percentage of Total GSP/GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retail %</td>
<td>Wholesale %</td>
</tr>
<tr>
<td>New South Wales</td>
<td>15.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Victoria</td>
<td>15.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Queensland</td>
<td>16.4</td>
<td>4.3</td>
</tr>
<tr>
<td>South Australia</td>
<td>14.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Western Australia</td>
<td>15.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Tasmania</td>
<td>15.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>13.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>12.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Australia</td>
<td>15.2</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Source: ABS Cat. No. 5220.0

Demand Drivers

Growth in population, employment and household disposable income are major determinants of growth in retail turnover. Household disposable income is affected by interest rates, employment and wages growth. In nominal terms, Territory household disposable income per capita increased by 7.7 per cent in 2004-05, compared with 4.0 per cent nationally. The significance of the tourism sector in the Territory impacts retail turnover due to the significant influence of interstate and overseas visitors.

Population

Following a strong growth phase in the mid 1990s associated with the defence force build up, Territory population growth slowed between 1997 and 2003. Population growth has since recovered, reporting 1.1 per cent growth in 2004 and estimated growth of 1.7 per cent for 2005. Growth is forecast to continue at recent levels in 2006 and 2007.
Household Debt

Nationally, household debt and credit growth continued at a solid pace over 2005, with annual credit growth of 13 per cent. At the same time, household assets have grown by 11 per cent and household net worth is improving. Nonetheless, the rate of credit growth is moderating, down from about 20 per cent in the second half of 2003.

In recent years, stable inflation, financial deregulation and stronger property markets have influenced the capacity and confidence of households to take on greater debt, with credit growth increasing at an annual rate of about 12 per cent over the 10 years to December 2005. Although increased debt has been associated with increased wealth, it is likely that households will be more sensitive to interest rate increases in the future.

Interest Rate Movements

In response to strong domestic demand and import growth, coupled with a positive outlook for global economic growth, the Reserve Bank of Australia (RBA) raised interest rates by 0.25 per cent in March 2005. The increase was the first since late 2003, when rates were raised by 0.5 percentage points. Since March 2005, rates have remained unchanged.

Household expectations of the inflation outlook and, importantly, their expectations of the RBA’s response to any emerging inflationary pressures, will influence how sensitive household expenditure is to interest rate changes.

Consumer Sentiment

Nationally, consumer sentiment as reported by the Westpac/Melbourne Institute, rose to historically high levels in January 2005, buoyed by strong employment conditions, a rising stock market and strengthening property markets. A sharp deterioration in sentiment was reported in March 2005, following the interest rate increase. It also coincided with a slowdown in economic growth, increasing fuel prices and a downturn in global markets. In late 2005, sentiment decreased to the lowest level since March 2003. Consumer sentiment has since rebounded, although not to the levels reported in early 2005.

According to the December quarter 2005 Sensis Consumer Report, Territory consumers are more confident than consumers in all other jurisdictions (Chart 13.1). Territorians are also the most likely to feel ‘better off’ than they had a year earlier, with ‘earning more money’ from work and investments identified as the key reason for improved confidence.

![Chart 13.1: Consumer Sentiment, December Quarter 2005](source: Sensis Consumer Report)
Retail Trade Activity

Territory real retail turnover strengthened over 2004-05 with strong growth of 5.3 per cent, higher than the 3.4 per cent average over the five years to June 2005. Strong growth was boosted by higher levels of consumer confidence, low interest rates, wages growth, steady population growth and the impact of Australian dollar appreciation on the price of imported goods.

In 2005-06, retail turnover growth in the Territory is expected to moderate to 2.5 per cent, although it comes after a period of strong growth. Although higher fuel prices may have a negative impact, the strength of the local construction and property markets, historically low interest rates and the strong exchange rate are supporting consumption.

The weakening Australian dollar is dampening consumption. National growth eased to 3.5 per cent in 2004-05 following record growth of 7.6 per cent in 2003-04. In 2005-06, national growth is estimated to moderate further to 2.0 per cent. This moderation reflects the combined effects of a more cautious approach to household consumption influenced by increasing debt servicing requirements, the downturn in property markets in several jurisdictions and the volatility of consumer confidence related to rising fuel prices.

The development of new retail space tends to proceed when capacity constraints become evident. Following a large increase in the supply of retail space in the mid 1990s associated with strong population growth, there has been a period of consolidation.

A high growth phase is currently under way, with a number of major retail construction projects due for completion in mid and late 2006. Bunnings is undertaking a major expansion of retail space with the construction of two new warehouses in Palmerston and Darwin that have a combined floor space of about 22,267 square metres. Further, an expansion of a new 3000 square metre showroom at the Jape Homemaker Village is due for completion in 2006-07.

Looking ahead, completion of several major residential projects in the Darwin central business district is expected to decrease the high level of vacant retail space. There are also plans for the further development of Darwin International Airport’s new business park over the next 20 years. The business park master plan is to develop the 33 hectare site that is bounded by McMillans and Bagot roads into a major commercial and retail precinct.

 Consumption Profile

Retail turnover is a major component of household consumption expenditure, which in turn is a significant component of final demand and economic growth. The Australian Bureau of Statistics (ABS) released its Household Expenditure Survey (HES) in August 2005. HES results indicate that Territory consumers spend relatively more than the national average on:

- recreation, alcoholic beverages and tobacco products;
- housing; and
- household services (particularly pest control).

Territory consumers spend relatively less on clothing and footwear, which is indicative of climate and lifestyle factors. Territory consumers also spend relatively less on medical care and health expenses to reflect the young and transient population and limited availability of private health care.
Food

Food consists of supermarket and grocery items, meat, fish and poultry, fruit and vegetables, liquor and bread retailing. Food consistently accounts for a significant proportion of national retail turnover and accounts for about half the Territory’s retail turnover. Expenditure on food fell by 1.5 per cent in 2005-06, subtracting 0.7 percentage points from total retail growth. The decline in reported food turnover has occurred in spite of strengthening population growth and moderate household consumption growth over 2005-06. The decline in food turnover may be counter-balanced somewhat by an increase in expenditure on takeaway, restaurant and cafe meals, which is captured in the hospitality and services category.

Household Goods

Household goods turnover is estimated to have increased by 7.0 per cent in 2005-06, adding 0.9 percentage points to retail growth. Household goods include furniture and floor coverings, domestic houseware, appliances and hardware. Demand for household goods is closely linked to dwelling investment.

Other Retailing

The other retailing category includes department store turnover and spending on pharmaceuticals, jewellery, nursery items, toiletries, antiques and used goods. Following strong growth of 9.2 per cent in 2004-05, other retailing is estimated to record modest growth of 0.5 per cent in 2005-06, reducing total retail growth by 0.1 percentage points.

Hospitality and Services

Hospitality and services consists of hotels, pubs, taverns, bars, clubs, cafes and restaurants, video hire outlets, hairdressing and beauty salons. After declining in the three years to 2003-04, hospitality and services retailing experienced a very strong recovery, increasing by 16 per cent in 2004-05 with estimated growth of 13 per cent in 2005-06 contributing 2.2 percentage points to retail growth. After being affected by the decline in international visitor numbers in the period since 2000, the strengthening outlook for tourism, stronger population and disposable income growth are having a positive impact on this largely discretionary retailing category.
Outlook

Nationally, the strength of the economy can be largely attributed to the strong growth in domestic spending in recent years, with retail turnover typically representing about 40 per cent of household consumption. At the national level, retail trade growth is forecast to strengthen in 2006-07, underpinned by strong employment, a positive outlook for the housing market and stable interest rates.

The outlook for the Territory is broadly consistent with the national outlook. Territory retail turnover is expected to strengthen over 2006-07, with forecast growth of 4.5 per cent. It is expected that solid retail growth will be supported by strong employment, steady population growth and continued positive outlook for the housing market.

Over the short to medium term, interest rates and petrol prices will continue to play an important role in influencing discretionary disposable household income, consumer confidence, consumption expenditure and the pattern of retail activity. Major risks to forecast activity are interest rate increases, a depreciation of the Australian dollar and the flow through to household budgets and consumption.
Transport and Communication

Key Points

- Good transport and communication links are critical to the Territory’s development, given the small size of the local market, relative isolation from major markets in southern Australia and the small and widely dispersed Territory population.

- In 2004-05, the transport and communication sector accounted for 6.3 per cent of gross state product and represents about 6.9 per cent of total Territory employment.

- The completion of the Adelaide to Darwin rail link in late 2003 represents a major milestone in the development of the Territory’s transport infrastructure. Rail is now the dominant mode of transport for the north-south freight route. It also provides opportunities for regional development, particularly as a cost-effective method for the transport of bulk commodities.

- The volume of freight through the Port of Darwin continues to increase, and is expected to grow further with recent improvements to facilities at East Arm, including a bulk liquids terminal and equipment to facilitate the transfer of oil.

- Both international and domestic air capacity has grown strongly over the last 12 months, with Tiger Airways commencing operations on the Darwin-Singapore route and the arrival of Qantas subsidiary Jetstar.

- A new contract with Telstra to provide Territory Government information and communication technology (ICT) services includes an industry development program that is expected to generate 170 new jobs.

Transport and communication industries are critical drivers of economic growth. Of particular importance to the Territory economy are the roles of long-distance and interstate freight transportation and remote telecommunications infrastructure, given the Territory’s size, remoteness and widely dispersed population. Transport and communication represented 6.3 per cent of the Northern Territory’s gross state product (GSP) in 2004-05.

The four major segments of the Territory’s transport sector are road, rail, sea and air. Until recently, road has been the key mode of freight transportation in the Territory, however the completion of the railway in 2004 has seen rail emerge as the dominant freight link between Adelaide and Darwin. The rail link also has implications for future development in Darwin’s port infrastructure, with the potential for Darwin to develop as a regional transport and logistics hub, more closely linking Australia with markets in Asia.

Table 14.1: Transport and Communications Production as a Proportion of GSP/GDP, 2004-05

<table>
<thead>
<tr>
<th></th>
<th>Transport %</th>
<th>Communication %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>3.7</td>
<td>2.6</td>
<td>6.3</td>
</tr>
<tr>
<td>Victoria</td>
<td>3.5</td>
<td>3.3</td>
<td>6.8</td>
</tr>
<tr>
<td>Queensland</td>
<td>4.4</td>
<td>2.5</td>
<td>6.9</td>
</tr>
<tr>
<td>South Australia</td>
<td>4.0</td>
<td>2.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Western Australia</td>
<td>4.2</td>
<td>2.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Tasmania</td>
<td>4.0</td>
<td>2.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>3.8</td>
<td>2.5</td>
<td>6.3</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>2.1</td>
<td>2.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Australia</td>
<td>3.8</td>
<td>2.7</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Source: ABS Cat. No. 5220.0
Transport-related activity accounted for about $395 million or 3.8 per cent of Territory GSP in 2004-05 and represents about 5.0 per cent of total Territory employment.

In 2005, rail transported 592,800 tonnes of freight, compared to 557,400 tonnes in 2004, representing growth of 6.4 per cent.

Currently, rail freight is dominated by domestic product, although import and export volumes are growing steadily. About 85 per cent of freight between Darwin and Adelaide is now carried by rail. Rail transport has increased the dominance of the central corridor in freight movements into and out of the Territory. Although road transport may still hold the comparative advantage for short haul and time-sensitive perishable and chilled products, indications are that this could be decreasing, as demonstrated by the use of rail transport during the peak mango season in October 2005.

For the international market, the railway has a comparative advantage over shipping due to its speed and its capacity to move bulk commodities to Darwin for export. The frequency of shipping services to and from Darwin is not currently sufficient to capitalise on recent improvements in port infrastructure and to maximise the railway’s potential. Commencement of a regular monthly Shanghai-Darwin service in January 2006, and interest in Indonesia and southern China services, are important recent developments.

A direct Darwin-Melbourne (via Adelaide) freight product was introduced in July 2005, helping to streamline movements between the two cities.

In 2005, the Katherine Freight Terminal experienced a 65 per cent increase in container movements, which included a significant increase in horticultural produce during the peak mango season. A proposal to develop a cluster facility for freight forwarders at Katherine Freight Terminal, incorporating cold stores and a common user transport depot, is now under consideration.

The cost effectiveness of rail for large volumes of mineral ore is a potentially significant stimulus for mining in regional areas. For example, from 2006 about 650,000 tonnes of manganese ore per year will be transported from the new Bootu Creek mine (near Tennant Creek) to Darwin for export. Frances Creek mine (near Pine Creek) is also in the process of reopening operations and plans to export about 1.5 million tonnes of iron ore to China via Darwin from early 2007.

Passenger numbers on the Ghan increased by 12 per cent to about 74,000 passengers in 2005. Following a successful three month trial in 2005, the number of Adelaide-Darwin services has been increased from one to two per week.

As the Territory’s main port, the Port of Darwin handles freight for domestic consumption, cruise ships, and is a hub for offshore oil exploration supply and the railway. In addition, a number of private ports service coastal mining communities directly for supplies and mineral exports, including Bing Bong near Borroloola, Alyangula on Groote Eylandt and Nhulunbuy in East Arnhem Land.

In 2004-05, total cargo tonnage through the Port of Darwin increased by 73 per cent to a record 1.9 million tonnes. The increase includes about 600,000 tonnes of armour rock shipped from Darwin for the construction of the Bayu-Undan sub-sea gas pipeline and a 33 per cent increase in trading vessel calls (registered visits).

Also in 2004-05, petroleum products accounted for 60 per cent of total import tonnage through Darwin. Other significant imports include cement clinker and metal products. Key exports included armour rock, livestock and metal products.
Further, a shift in the source of petroleum products resulted in a significant increase in overseas imports and a corresponding decrease in interstate imports (Chart 14.1). The continued recovery of livestock exports (a 51 per cent increase in 2004-05) was the major contributor to increasing overseas exports in 2004-05.

In 2005, cruise ship visits increased by 50 per cent to a total of 33 visits, and passenger numbers increased by 6 per cent to about 11 000 passengers. Visits are expected to increase to 45 cruise ships in 2006.

Note: The large increase in 'Intrastate Out’ in 2004-05 is armour rock used for the construction of the Bayu-Undan sub-sea gas pipeline
Source: Department of Planning and Infrastructure

Swire Shipping has committed to a continuation of its fortnightly Darwin-Singapore shuttle service that began in 2003. In January 2006, Hai Win Shipping announced a regular monthly Shanghai-Darwin service following successful trials during 2005, whereby two-thirds of the containerised freight from the trial was distributed across Australia by rail and the remainder by road.

Recently completed port facilities at East Arm include a wharf extension, a bulk liquids terminal, internodal facilities, a container wharf and the installation of pipelines and equipment for oil transfer. The completion of the bulk handling facility, shiploader and supporting infrastructure in the Darwin Business Park will further promote Darwin as a transport hub.

Road Transport

The Northern Territory is served by three national highways which provide links to Queensland (Barkly Highway), South Australia (Stuart Highway) and Western Australia (Victoria Highway). The National Highway network is the backbone of the road network system across the Territory and provides the only sealed road link between the Territory and the rest of Australia.

The Territory road network consists of more than 35 000 kilometres of road. About 12 per cent are classified as national highways, 19 per cent as arterial roads, 45 per cent as secondary roads (to distribute traffic within regions) and 24 per cent as local roads. A further 13 200 kilometres of roads, primarily for distributing traffic within local areas, are administered by local government.
All three levels of government are responsible for developing and maintaining the road networks in the Northern Territory. AusLink is the Australian Government funding program designed to allocate funding to the land transport network. In 2005-06, AusLink expenditure on roads in the Territory is estimated at $39 million. This includes major works on the Victoria and Stuart highways, bridge works on the Stuart Highway as well as upgrades to 'blackspot' locations, roads servicing the pastoral, tourism and mining industries and improved access for remote communities.

Northern Territory Government expenditure on Territory roads in 2005-06 is estimated at $27 million for capital works and $32 million for repairs and maintenance. Improving roads to tourist destinations such as the continuation of sealing both the Mereenie and Litchfield loop roads is a priority in 2006-07.

**Air-International**

Seven airlines operate regular international services from Darwin:

- Qantas (Denpasar, Singapore, Mumbai);
- Garuda (Denpasar);
- Tiger Airways (Singapore);
- Merpati (Kupang);
- Air North (Dili);
- Royal Brunei (Brunei); and
- Australian Airlines (Singapore).

International airline capacity decreased significantly between June 2001 and June 2003 (Chart 14.2). Since May 2004, capacity has increased steadily from 1761 to 2576 seats per week in March 2006, with the highest weekly seat capacity level since April 2001 reached in January 2006 (2558 seats per week). Further growth is expected with the introduction of several new services.

In December 2005, low cost carrier Tiger Airways began operating the Darwin-Singapore route, increasing capacity by about 40 per cent or 720 seats per week. In January 2006, Qantas commenced its new three times a week service from Sydney to Mumbai via Darwin. Royal Brunei announced in April 2006 that services to Darwin would temporarily be reduced from three to two flights per week.

In 2005, international arrivals into Darwin increased by 2.4 per cent to 80,700. Occasional charter service flights also bring tourists directly from Japan to Alice Springs to visit Uluru. Since 2003, there have been nine flights, bringing more than 2700 tourists to the Territory.
Note: Cairns-Gove and Cairns-Groote Eylandt services are not included. The Cairns-Gove service has a capacity of 805 seats per week; the Cairns-Groote Eylandt service ceased in 2003.

Source: Department of Planning and Infrastructure

Air-Interstate

Qantas, Virgin Blue, Airnorth, Skywest and Jetstar operate about 170 inbound interstate flights (about 23 000 seats) per week. These services provide daily connections between the Northern Territory and all Australian capital cities and major regional centres.

Interstate weekly seat capacity has increased dramatically in recent years, from 17 407 in 2001-02 to 22 301 in 2004-05, due largely to the arrival of Virgin Blue. Capacity increased to an estimated 22 738 seats in 2005-06, due in part to the operation of larger aircraft by Qantas during the wet season.

In September 2005, Virgin Blue withdrew its Darwin-Sydney and Alice Springs-Adelaide services (1680 seats per week). In May 2006, Qantas subsidiary Jetstar began operating on the Darwin-Brisbane, Darwin-Melbourne and Darwin-Adelaide routes, while Qantas has withdrawn its Darwin-Melbourne service, representing a net increase of 900 seats per week from July 2006.

In 2005 domestic arrivals into the Territory increased by 2.3 per cent to 535 600.

Air-Intrastate

Four airlines operate regular services within the Territory:

- Qantas (Darwin, Nhulunbuy, Alice Springs and Uluru);
- Aboriginal Air Services (AAS) (Darwin, Arnhem Land, Tiwi Islands, Katherine, Tennant Creek, Alice Springs and Uluru, and Gove and Ngukkur from July 2006);
- Airlnorth (Darwin, Gove, Groote Eylandt and Maningrida); and
- Vincent Air (Darwin and Groote Eylandt).

Air freight to remote communities is also important for the delivery of perishables, household items and mail.
Communications

The communications industry accounted for about $265 million or 2.5 per cent of Territory GSP in 2004-05 and represents about 1 per cent of total Territory employment.

Technological developments have reduced the isolation faced by many Territorians, particularly those living in remote localities. Increased access to information technology infrastructure has enabled the delivery of a wider range of mainstream services to remote areas and innovations in service delivery. Despite significant investment and ongoing improvement, the gap between the Territory and other jurisdictions in their access and capability to deliver information and communication technology (ICT) based services remains large, particularly in remote areas.

Remote areas in the Territory have benefited from increased access to telecommunications services, however the low volume of network traffic and lack of competition means that unit costs for electronic services remain high.

Remote Access

Connect Australia, the Australian Government’s new telecommunications program for remote Australia, was announced in September 2005. The $1.1 billion package aims to improve remote and regional telecommunications. The Territory Government is liaising with the Australian Government to ensure that specific needs of the Territory are addressed. In particular, broadband and mobile access in remote areas and a second fibre-optic cable from Adelaide to Darwin to improve wholesale telecommunications competition.

There are several other Australian Government funded programs aimed at improving access to ICT in remote areas of the Territory:

- The Regional Mobile Phone Program has established CDMA mobile services to Daly River, Gapuwiyak, Milikapiti, Pirlangimpi, Ali Curung and Warawi. Coverage will be extended to Barunga, Beswick, Cooinda, Daguragu/Kalkaringi, Galiwinku, Maningrida and Milingimbi in 2006.

- The Commonwealth Coordinated Communications Infrastructure Fund (CCIF) and Telstra provided a $2 million grant for telecommunications and broadband fibre-optic infrastructure to Peppimenarti, Palumpa and Wadeye that is to be completed in late 2006.

- The Australian Government and Telstra, through the Community Phones Program, began to install fixed public telephones in about 80 remote communities in the Northern Territory in 2006 to provide cheaper call rates.

- The IT Training and Technical Support Program provided $1.22 million to train 1500 Indigenous people in remote communities north of Tennant Creek during 2006.

Since June 2005, Telstra has provided Territory Government voice, data and internet services that were previously provided by SingTel Optus. The new contract includes an expansion of bandwidth and coverage, as well as a $65 million industry development program aimed at expanding the Territory’s ICT Sector. The program includes a customer contact centre and an Indigenous call centre, and is expected to generate 170 new jobs. The Government’s Local Area Network (LAN) will also be moved from the current service provider to Telstra in 2006, which is expected to deliver a cost saving to Government of about $4 million over four years.
There are two Department of Employment, Education and Training (DEET) programs aimed at improving ICT service delivery access and use in schools:

• Learning and Technology in Schools (LATIS) aims to provide ICT to every school in the Territory. To date, the program has delivered broadband to 155 schools, 54 of these via satellite.

• Interactive Distance Learning (IDL), which has replaced the two-way radio from the School of the Air, is using satellite technology to deliver interactive specialist tuition to 200 remote homesteads, schools and training centres in the Territory. The technology is now used for secondary tuition, but in the future may be applied to training needs, including vocational education and training.

Both programs will progressively move to terrestrial services, where appropriate, under the Telstra contract.

**Television**

Darwin is served by the ABC (including the ABC2 digital service), SBS, Channel Nine and Southern Cross Television (SCTV – formerly Channel 7) networks. Additionally, Info Television broadcasts tourist-oriented information in Darwin via the free-to-air and cable networks. Other major centres receive a combination of Imparja, SCTV, Central Queensland Satellite Television (Channel 10), the ABC and SBS. Austar pay television is available via direct cable in Darwin and via satellite in Alice Springs and other parts of Territory.

In December 2005, a third commercial digital-only channel was approved for Darwin and is expected to begin broadcasting by the end of 2007. Channel 9 and SCTV have first option to purchase the licence.

**Radio**

Darwin, Alice Springs and smaller centres in the Territory are serviced by a number of radio stations, including the ABC, commercial and community stations. The Australian Government policy framework for transition to digital radio was announced in September 2005, although no firm date for the Territory has been set.

**Outlook**

**Transport**

Improved port facilities, more frequent shipping services and private sector infrastructure investment indicates that rail and complementary infrastructure will continue to have the greatest impact on the transport sector in the short to medium term. Into 2006-07 and beyond, transportation of bulk mineral exports and supplies for the mining sector will emerge as a significant market for rail transport. In addition to this, future expansion of trials and the development of infrastructure networks in Darwin, Katherine and Tennant Creek will continue to improve the growth potential of rail transport. Over time, rail is expected to be increasingly used by adjacent economic regions in the Kimberley and north-west Queensland, via the depots at Katherine and Tennant Creek, providing additional business opportunities in these centres. In the longer term, it is expected that Darwin will become increasingly utilised as a regional transport hub.

Continued economic growth, a more stable global environment and commencement of Tiger Airways and Jetstar services to Darwin are expected to see international airline capacity increase through 2006-07, leading to increased tourism opportunities.

**Communications**

Telstra have announced a three year plan to roll out Third Generation (3G) mobile coverage to the Northern Territory, including remote towns and communities. The 3G service will replace CDMA coverage, giving users broadband speed mobile connection, including video calling.
The Public Sector

Key Points

- The public sector consists of Australian, Territory and local government activity including defence. It is a major contributor to the Northern Territory economy, providing a wide range of economic and social services.

- In 2004-05, government administration, defence and the other predominantly public sector industries (health and education) accounted for about 19 per cent of gross state product and about 34 per cent of state final demand – much higher than most other jurisdictions.

- The non-defence public sector is the largest employer in the Territory, accounting for about 28 per cent of total employment (33 per cent when defence is included).

- The relative importance of the non-defence public sector has declined steadily over the past two decades, reflecting the maturing Territory economy.

The public sector includes Australian, Northern Territory and local government activity. The focus of this chapter is the non-defence public sector in the Territory; defence activity is discussed in more detail in Chapter 16.

The public sector in the Territory is a significantly larger component of the economy than in most other jurisdictions, accounting for about 19 per cent of gross state product (GSP) and 33.7 per cent of state final demand (SFD) in 2004-05. Nationally, the public sector accounted for just 21 per cent of SFD (Chart 15.1). The Australian Capital Territory (ACT) is the only jurisdiction with a larger public sector, due to its large Australian Government presence.

The non-defence public sector is also the largest employer in the Territory and accounted for 28 per cent of total employment in 2004-05 (33 per cent when defence is included).

Chart 15.1: Total Public Sector Expenditure as a Percentage of SFD, 2004-05

Source: ABS Cat. No. 5206.0
Expenditure

In 2005-06, non-defence public sector expenditure totalled an estimated $3218 million, a 5 per cent increase on 2004-05. In relative terms, expenditure is much higher in the Territory than in most other jurisdictions. In 2004-05, non-defence public sector expenditure was $1511 per capita, compared to $845 per capita nationally. The ACT had the highest expenditure at $4514 per capita and Queensland the lowest at $759 per capita. As a proportion of SFD, Territory non-defence public sector expenditure is also the second highest (25 per cent), behind the ACT (52 per cent). The high level of public sector expenditure in the Territory reflects, among other factors, that the cost of providing core government functions is shared by a smaller population base than in other jurisdictions.

Since 1989-90, the Territory public sector expenditure as a proportion of SFD has declined significantly, reflecting both the growth in the Territory population and the ongoing development of the Territory economy (Chart 15.2). Over this period, SFD has increased by an annual average of 5.1 per cent, with private sector growth of 6.1 per cent, compared to public sector growth of just 3.4 per cent.

Although the decline in the public sector as a proportion of SFD is mirrored nationally, the rate of decline in the Territory has been much faster. The proportion for the Territory has declined from about 43 per cent in 1989-90 to about 34 per cent ($4.1 billion) in 2004-05. Excluding defence (and therefore the significant impact of the defence build-up in the 1990s), the decline is even more dramatic, falling by about 12 percentage points from about 37 per cent to about 25 per cent. Over the same period, the national proportion declined by just 3 percentage points, from about 24 per cent to 21 per cent.

Source: ABS Cat. No. 5206.0

Consumption

In 2004-05, consumption accounted for 86.5 per cent of total non-defence public sector expenditure in the Territory, and around one-third of total consumption (public and private). Territory and local governments accounted for 57 per cent of total public sector consumption, defence accounted for 25 per cent, and Australian Government non-defence for the remaining 18 per cent (Chart 15.3).

Between 1990-91 and 2004-05, non-defence public sector consumption has increased by about 50 per cent (Chart 15.3), but nevertheless declined as a proportion of total consumption from about 39 per cent to 31 per cent. This reflects the growing significance of private sector (household) consumption expenditure in the Territory.
Public sector investment is volatile and can experience large fluctuations from year to year due to the small size of the Territory economy and the impact of funding for large one-off projects such as the Adelaide to Darwin rail link (2001-03; Chart 15.4).

In 2004-05, non-defence public sector investment accounted for 14 per cent of total non-defence public sector expenditure and 12 per cent of total investment. Territory and local governments accounted for 39 per cent of the total public sector investment, public corporations accounted for 32 per cent, defence accounted for 23 per cent, and Australian Government non-defence for the remaining 5.6 per cent.

### Employment

The public sector is the largest employer in the Territory. In 2004-05, the non-defence public sector accounted for about 28 per cent of total employment and defence accounted for an additional 5 per cent. The Northern Territory Government accounts for 74 per cent of non-defence public sector employment, the Australian Government (excluding defence) accounts for 13 per cent and local government for the remaining 13 per cent.
Since 1990-91, non-defence public sector employment has increased at an annual average rate of 1.2 per cent (Table 15.1), slightly less than population growth over the same period. Local government employment increased by an annual average rate of 6.8 per cent over the period, due in part to growth in Community Development Employment Projects and the growing number of local governing bodies (largely community governments in remote areas). Territory Government employment increased at an annual average rate of 1.2 per cent, while Australian Government employment (excluding defence) decreased by an annual average rate of 1.7 per cent over the period.

The defence contribution to employment growth since 1990-91 has been substantial, with average annual growth of 6.3 per cent over the period. Further details of the defence build-up are provided in Chapter 16.

### Table 15.1: Public Sector Employee Numbers (year average)

<table>
<thead>
<tr>
<th>Year ended June</th>
<th>Australian Gov’t</th>
<th>Territory Gov’t</th>
<th>Local Gov’t</th>
<th>Total (excluding Defence)</th>
<th>Defence*</th>
<th>Total</th>
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<td>1991</td>
<td>4 400</td>
<td>16 500</td>
<td>1 200</td>
<td>22 100</td>
<td>2 086</td>
<td>24 186</td>
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<tr>
<td>1992</td>
<td>4 350</td>
<td>15 725</td>
<td>1 150</td>
<td>21 225</td>
<td>2 281</td>
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<td>1993</td>
<td>3 900</td>
<td>14 950</td>
<td>1 200</td>
<td>20 050</td>
<td>2 561</td>
<td>22 611</td>
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<tr>
<td>1994</td>
<td>3 775</td>
<td>15 475</td>
<td>1 200</td>
<td>20 450</td>
<td>2 543</td>
<td>22 993</td>
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<tr>
<td>1995</td>
<td>3 975</td>
<td>15 775</td>
<td>1 300</td>
<td>21 050</td>
<td>2 524</td>
<td>23 574</td>
</tr>
<tr>
<td>1996</td>
<td>4 050</td>
<td>16 125</td>
<td>1 975</td>
<td>22 150</td>
<td>3 312</td>
<td>25 462</td>
</tr>
<tr>
<td>1997</td>
<td>4 175</td>
<td>16 050</td>
<td>2 150</td>
<td>22 375</td>
<td>3 384</td>
<td>25 759</td>
</tr>
<tr>
<td>1998</td>
<td>3 500</td>
<td>16 200</td>
<td>2 625</td>
<td>22 325</td>
<td>3 756</td>
<td>26 081</td>
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<tr>
<td>1999</td>
<td>3 550</td>
<td>16 000</td>
<td>2 600</td>
<td>22 150</td>
<td>4 111</td>
<td>26 261</td>
</tr>
<tr>
<td>2000</td>
<td>3 450</td>
<td>15 975</td>
<td>2 600</td>
<td>22 025</td>
<td>4 662</td>
<td>26 687</td>
</tr>
<tr>
<td>2001</td>
<td>3 550</td>
<td>16 675</td>
<td>2 600</td>
<td>22 825</td>
<td>4 641</td>
<td>27 466</td>
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<tr>
<td>2002</td>
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<td>17 050</td>
<td>2 950</td>
<td>23 850</td>
<td>5 119</td>
<td>28 969</td>
</tr>
<tr>
<td>2003</td>
<td>3 450</td>
<td>17 925</td>
<td>2 900</td>
<td>24 275</td>
<td>5 191</td>
<td>29 466</td>
</tr>
<tr>
<td>2004</td>
<td>3 400</td>
<td>18 625</td>
<td>3 325</td>
<td>25 350</td>
<td>5 041</td>
<td>30 391</td>
</tr>
<tr>
<td>2005</td>
<td>3 475</td>
<td>19 475</td>
<td>3 425</td>
<td>26 375</td>
<td>5 009</td>
<td>31 384</td>
</tr>
<tr>
<td>2006e</td>
<td>3 400</td>
<td>19 700</td>
<td>3 225</td>
<td>26 325</td>
<td>5 180</td>
<td>31 505</td>
</tr>
</tbody>
</table>

**Compound Annual Growth (%)**

<table>
<thead>
<tr>
<th>Period</th>
<th>Australian Gov’t</th>
<th>Territory Gov’t</th>
<th>Local Gov’t</th>
<th>Total (excluding Defence)</th>
<th>Defence*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91 to 2005-06e</td>
<td>-1.7</td>
<td>1.2</td>
<td>6.8</td>
<td>1.2</td>
<td>6.3</td>
<td>1.8</td>
</tr>
<tr>
<td>2000-01 to 2005-06e</td>
<td>-0.9</td>
<td>3.4</td>
<td>4.4</td>
<td>2.9</td>
<td>2.2</td>
<td>2.8</td>
</tr>
</tbody>
</table>

*Defence numbers as at June for each year, not year average
Source: Northern Territory Treasury, ABS Cat. No. 6248.0.55.001, Department of Defence

Employment data referenced in Table 15.1 are based on the Australian Bureau of Statistics Wage and Salary Earners, Public Sector data series (WSE), which reports on the number of public sector paid positions in the Northern Territory. It is not a full-time equivalent number, nor is it a measure of the number of employees. Growth, therefore, partly reflects an increasing number of casual and part-time positions.
The Northern Territory Office of the Commissioner for Public Employment (OCPE) provides an alternative, full-time equivalent measure of employees under the *Public Sector Employment and Management Act* for Tourism NT and Aboriginal Areas Protection Authority employees and police. The OCPE measure excludes Charles Darwin University, Centralian College, Batchelor Institute of Indigenous Tertiary Education, Northern Territory Rural College, Menzies School of Health Research, Territory Insurance Office and Legal Aid Commission because they are not relevant to the NTPS. In the December quarter 2005, OCPE reported the average number of full-time equivalent NTPS employees at 15,837, a 3.6 per cent increase from the December quarter 2004 average of 15,285.

**Indigenous Employment**

OCPE data reports that the number of self-identified Indigenous employees in the Territory Government at December 2005 was 1,154, an increase of 14.6 per cent over the year. Indigenous employment represents 6.8 per cent of the Territory Government employment compared to 6.1 per cent one year ago. These figures rely on self-identification, and are therefore likely to understate the true level of Indigenous employment. Increased Indigenous employment reflects initiatives to promote Indigenous career development as well as a possible increase in the number of employees who self-identify as Indigenous persons.

**Outlook**

Modest growth in the non-defence public sector expenditure and employment is expected in 2006-07, consistent with the Territory Government’s commitment to recruit more police, nurses and teachers.
Chapter 16
Defence

Key Points

- The Australian Defence Force contributes significantly to the Northern Territory economy. The defence presence in the Territory has more than doubled since the early 1990s, with the number of defence personnel and their families increasing from about 6200 in June 1992 to an estimated 12,900 in June 2006.

- About 10 per cent of Australian permanent defence force personnel are now based in the Territory. Recurrent defence expenditure in the Territory totalled $839 million in 2004-05.

- Major defence activities under way in the Territory include the construction of the $65 million Bradshaw Field Training Area near Timber Creek and the development of the $170 million new suburb of Lyons (at Lee Point).

- Supply and support contracts for the new Armidale Class patrol boats, Abrams tanks and Tiger helicopters will provide significant and ongoing benefits to the Territory economy.

The 1987 Defence White Paper outlined a strategic decision to adopt a northern defence position, recognising that any potential threat to Australia’s security is likely to come from the north. The Territory, by virtue of its location, became a key component of defence planning and subsequently a focus for operations, which included the relocation of a significant proportion of defence capability to the Top End.

Defence strategic priorities have continued to develop and, since the 2000 Defence White Paper, there is now a greater emphasis on contributing to the security of the immediate region, building capacity to respond to emergencies and terrorism and increased coastal surveillance. With the expansion of the northern defence role, Darwin’s importance as a strategic defence base, which is home to Headquarters Northern Command, will remain an integral element of the Territory economy into the foreseeable future.

About 10 per cent of all Australian permanent defence force personnel are based in the Territory, which is significant compared to the Territory’s 1 per cent share of the total Australian population. About 6 per cent of total national defence expenditure occurs in the Territory (Table 16.1).

Table 16.1: Population, Permanent Defence Force Members and Defence Expenditure Proportions, 2004-05

<table>
<thead>
<tr>
<th></th>
<th>Defence Personnel%</th>
<th>Defence Expenditure%</th>
<th>Total Population%</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>31.9</td>
<td>31.2</td>
<td>33.3</td>
</tr>
<tr>
<td>Victoria</td>
<td>11.8</td>
<td>16.1</td>
<td>24.7</td>
</tr>
<tr>
<td>Queensland</td>
<td>24.2</td>
<td>23.0</td>
<td>19.5</td>
</tr>
<tr>
<td>South Australia</td>
<td>4.9</td>
<td>6.2</td>
<td>7.6</td>
</tr>
<tr>
<td>Western Australia</td>
<td>7.7</td>
<td>8.7</td>
<td>9.9</td>
</tr>
<tr>
<td>Tasmania</td>
<td>0.3</td>
<td>1.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>9.9</td>
<td>6.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>9.3</td>
<td>7.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Australia</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

* Excludes civilians, reserve forces and personnel serving overseas
Source: Department of Defence, ABS Cat. No. 3101.0, unpublished ABS data
Defence Population

The Army Presence in the North (APIN) program commenced in 1992 and involved the relocation of the Army's 1st Brigade to Darwin over the period 1992-2001. The APIN program was the primary force behind the defence build up in the Top End. The relocation involved about 2300 1st Brigade defence personnel from Holsworthy in New South Wales and Puckapunyal in Victoria (along with a large number of armoured vehicles, support vehicles and supporting equipment).

Since the early 1990s, Australian Defence Force personnel based in the Territory (including Department of Defence civilians) have more than doubled, increasing from about 2600 in June 1992 to an estimated 5600 in June 2006. In the Territory, army personnel, estimated at 3500 in June 2006, account for about 63 per cent of total defence personnel. The number of navy personnel based in the Territory has changed little over the past decade, averaging around 550 personnel, but is expected to increase to about 580 in June 2006, while the number of airforce personnel is estimated to have fallen from 1385 in June 1992 to about 1100 in June 2006. In June 2006, there will be an estimated 400 civilian defence personnel and about 780 reservists based in the Territory (Chart 16.1).

The defence presence in the Territory contributes to the economy not only through consumption and investment, but also through the partners of defence personnel, often skilled, entering the labour force. The 2003 Defence Census found that around 56 per cent of partners who were not also permanent defence force members worked full time. Of all partners, 48 per cent had formal qualifications (bachelor degree or higher, certificate or diploma, trade or vocational qualification) and 22 per cent were undertaking some form of study.

The total Northern Territory defence community – personnel and their families – is estimated to have increased from about 6200 in June 1992 to an estimated 12 900 in June 2006. The defence community currently represents 6.3 per cent of the Territory's population, up from 3.7 per cent in June 1992. Since 1992, the number of defence members and families based in the Territory has contributed 0.3 percentage points to the Territory’s average annual population growth rate of 1.5 per cent.

Another significant increase to the Territory defence community was associated with the relocation of the Army’s 1st Aviation Regiment to Robertson Barracks near Palmerston, and the 17 new Tiger Armed Reconnaissance helicopters that will arrive later in 2006. The relocation included about 300 personnel and their families.
Defence Expenditure

The Australian Bureau of Statistics (ABS) estimates that defence recurrent expenditure (weapons and platforms, salaries and other operational expenses) in the Territory was $839 million in 2004-05, up from $812 million in 2003-04. Salaries paid to defence personnel ($363 million in 2004-05) represent close to 50 per cent of total recurrent defence expenditure over the past decade (Chart 16.2). Defence salaries are an important driver of consumer demand in the Territory, equivalent to 4.2 per cent of total consumption expenditure in the Territory economy in 2004-05.

Source: ABS unpublished data

Navy Ships

Darwin is an important naval port, with a large number of Royal Australian Navy (RAN) and international navy ships visiting the Territory each year for regular exercises, rest and recreational visits, and missions such as relief operations following the 2004 Asian tsunami. These visits provide a significant economic boost, particularly expenditure by sailors on shore leave and re-supply and service stopovers in Darwin. Ships remain in port for an average of four days, with crew sizes between 100 and 1000. It is estimated that each United States Navy sailor spends $150-$200 a day. In 2005, 77 navy ships visited the Port of Darwin for a total of 267 visit days, compared to 94 navy ships and 320 visit days in 2004.

Defence Support Division

The defence presence in the Territory provides significant opportunities for local industry. In 2003, the Territory Government established the Defence Support Division (DSD) to help accelerate the growth of Territory industry capability to capture defence-related opportunities. In conjunction with the Australian Industry and Defence Network-NT, the DSD aims to maximise local industry benefits by identifying opportunities and encouraging Territory businesses to develop skills and partnerships to supply defence requirements. Further, the DSD aims to develop local defence industry capability based on an understanding of changing defence requirements. More recently, the DSD has taken on the additional role of Defence Community Liaison to help support defence organisations such as the Defence Community Organisation, Defence Housing Authority (DHA) and Defence Families Association assist defence personnel and their families posted to the Territory.

Over the past ten years, the value and number of defence contracts with Territory businesses have grown steadily. Other developments include the greater levels of outsourcing of defence services and the increased capacity of Territory businesses to meet specialised defence requirements. These relationships have provided opportunities for new capacity and capability to be developed, broadening and enhancing the local economy.
Defence Contracts
Examples of locally awarded contracts include maintenance and repair of the existing Leopard tanks and Fremantle Class patrol boats. More than 100 local contractors are already engaged with supply and support contracts associated with the new Armidale Class patrol boats and the provision of medical and security services. In addition, 90 per cent of the $82 million building works associated with the relocation of the 1st Aviation Regiment was awarded to local construction companies and is scheduled for completion by mid 2006. This includes the construction of new facilities and working areas within Robertson Barracks to house the new Tiger helicopters and defence personnel. The $65 million development of the Bradshaw Field Training Area (due for completion by the end of 2006) for the army, which will form part of the Australian-United States Joint Combined Training Capability, provided employment opportunities for Indigenous enterprises and other Territory businesses.

Defence Housing
The Territory residential construction boom of the late 1990s was largely the result of increased defence demand for housing. The relocation of large numbers of defence personnel and their families to the Top End has resulted in a significant and permanent increase in the Territory’s population, with an associated increase in demand for housing and other goods and services. Another major round of construction is expected to commence in mid to late 2006 associated with the development of the new suburb of Lyons located at Lee Point in Darwin.

In 2003, the DHA opened the Vantage Point Apartment complex (a three tower, 95 unit development on the fringe of the Darwin central business district) to cater for defence personnel who prefer a different style of accommodation.

DHA currently manages around 2200 dwellings in the Northern Territory, with the majority located in Darwin and Palmerston (Chart 16.3). Defence housing grew strongly between 1992 and 1999, with average growth in dwelling stock of 9.4 per cent per annum. However, since 1999 there has been a marginal decline in the stock of dwellings as DHA has divested itself of older stock.

Due to the combination of expired leases, stock disposals and an increasing demand for housing, DHA plans to invest around $170 million in the development of the new suburb of Lyons over the next five years. This project will comprise 300 new DHA homes and a further 350 allotments available for sale to the public. When completed, this project will increase DHA-managed dwelling stock by about 14 per cent to about 2500 dwellings. The land clearing stage of the Lyons development has commenced. Stage 1 of the construction phase, which includes around 75 DHA homes, is expected to begin in mid to late 2006 and is due for completion in 2007. In 2005-06, DHA plans to complete an additional 21 homes in the suburb of Rosebery in Palmerston.

Chart 16.3: Defence Housing Authority Dwelling Stock

<table>
<thead>
<tr>
<th>Year ended June</th>
<th>Total</th>
<th>Darwin and Palmerston</th>
<th>Katherine</th>
<th>Alice Springs</th>
</tr>
</thead>
<tbody>
<tr>
<td>92</td>
<td>0</td>
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<td>07f</td>
<td>0</td>
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</tbody>
</table>

e: estimate; f: forecast

Source: Northern Territory Treasury, Defence Housing Authority
Defence Force Industry

The Australian Defence Force (ADF) is made up of the three primary services – Army, Navy and Air Force – along with other groups involved in support and coordination functions. Major defence sites in the Northern Territory include:

- Larrakeyah Barracks in Darwin;
- Robertson Barracks near Palmerston;
- HMAS Coonawarra in Darwin;
- RAAF Base Darwin;
- RAAF Base Tindal near Katherine; and
- the Joint (United States and Australia) Defence Facility Pine Gap near Alice Springs.

Other defence sites include the Defence Establishment Berrimah, Bradshaw Field Training Area (near Timber Creek), Mount Bundy Field Training Area (near the Mary River) and Delamere Bombing Range (near Katherine).

Army

In June 2006, there are expected to be an estimated 3500 full-time army personnel stationed in the Territory.

Robertson Barracks, located near Palmerston, is the largest operational base in the Territory and is home to the Army’s 1st Brigade. The relocation of the 1st Brigade in the 1990s and construction of the Robertson Barracks complex provided a significant boost to the Territory economy and to the development of the Palmerston town centre and suburbs. The relocation of the 1st Aviation Regiment from Queensland to the Northern Territory will continue to provide a further boost to the local economy.

The Army also operates the Norforce surveillance unit (NORFORCE) comprising around 600 personnel when at full operational level. About 65-70 per cent of personnel are Indigenous, with a significant proportion from remote communities.

Navy

In June 2006, there are expected to be an estimated 580 full-time Royal Australian Navy (RAN) personnel stationed in the Territory.

Border protection is the primary focus of RAN operations in the Territory, with Darwin-based patrol boats undertaking surveillance patrols of Australia’s northern approaches. The patrol boats play an important role in Operation Cranberry to target illegal fishing and smuggling in northern waters, and are also involved in search and rescue operations.

HMAS Coonawarra is home to the majority of the RAN’s Fremantle Class patrol boats. These patrol boats will be replaced by a fleet of 14 new Armidale Class patrol boats by early 2008, with eight based in Darwin, and an additional two operating out of Dampier in Western Australia, with crew and services provided from Darwin. Civil works at HMAS Coonawarra have commenced to extend the synchro-lift and wharf to accommodate the larger Armidale Class patrol boats and to provide a new port services building and crew change facility. Construction is due for completion by the end of 2006 at an estimated cost of about $19 million.
In June 2006, there is expected to be an estimated 1200 Royal Australian Air Force (RAAF) personnel stationed in the Territory.

RAAF Base Tindal is the main operational base in the north and is home to an F/A-18 fighter squadron. It is also a strategic base for logistics support to deployed forces. RAAF Base Darwin, Australia’s most northern airfield, is a forward operating base for RAAF operations and exercises and regularly hosts foreign aircraft during these exercises. RAAF Base Darwin is also home to No. 396 Combat Support Wing, which commands squadrons based in Darwin, Townsville and Butterworth (Malaysia), and is used as a base for surveillance aircraft.

The Territory is also home to the Delamere Air Weapons Range facility (south-west of Katherine) and one of Australia’s three Jindalee Over the Horizon radar surveillance units (near Alice Springs).

Headquarters Northern Command (HQNORCOM), the joint force headquarters responsible for the defence of northern Australia, is based at Larrakeyah Barracks in Darwin. Its jurisdiction includes the Territory, north Queensland and the northern half of Western Australia.

HQNORCOM is also engaged with the Joint Offshore Protection Command that is responsible for the implementation, coordination and management of offshore maritime security, including the protection of offshore oil and gas assets.

The Joint Defence Facility at Pine Gap near Alice Springs is a critical component of the United States’ global missile defence and early warning system. The facility is jointly administered by the Australian and United States defence departments. It employs an estimated 900 personnel, of whom about half are Australian. Facility personnel and their dependants, estimated at about 3000, represent 12 per cent of the Alice Springs population.

At present there are two ongoing primary defence operations in the Top End:

- Operation Cranberry provides assistance to the civil Coast Watch surveillance program to protect Australia’s northern waters; and
- Operation Reflex II contributes to the detection, interception and deterrence of vessels carrying unauthorised arrivals in Australia’s north-west waters.

Territory-based defence personnel have played a significant role in Australia’s military involvement in Iraq, particularly in the areas of transport, security, air traffic control and medical support. In addition, most of the 450 troops that make up the Al Muthanna Task Group that provide support and security for Japanese reconstruction and support troops in southern Iraq, are drawn from 1st Brigade personnel based in the Territory.

Territory-based defence personnel have also been involved in relief operations as part of Australia’s response to the 2004 Asian tsunami and the Pakistan earthquake in November 2005.
Defence exercises are regularly staged in the Territory and provide a major boost to the economy through supply and support contracts and increased visitor numbers. In 2005-06, the Territory hosted three major exercises:

- Exercise Kakadu VII was the latest in a series of multinational maritime exercises in the seas adjoining Darwin. It involved more than 1700 defence personnel from Australia, New Zealand, Singapore, Malaysia, Papua New Guinea and Indonesia with observers from India, France, Thailand and Korea.

- Exercise Albatross Ausindo, conducted in April 2005, was the first combined defence exercise with Indonesia since 1999. The maritime air exercise, which aims to enhance maritime security and foster closer relations between Indonesia and Australia, will be conducted again in May 2006.

- Exercise Pacific Protector 06, a major Proliferation Security Initiative, was conducted in the Darwin area during April 2006 and attracted representatives from 32 countries.

**Outlook**

Although the initial impact of the APIN program on the Territory economy has passed, Darwin's position at Australia's northern approach will see it remain of strategic relevance to Australia's defence. The relocation of the 1st Aviation Regiment will continue to increase already significant levels of defence investment and consumption expenditure in the Territory.

The $170 million Lyons development project will boost the Northern Territory economy over the next three to four years with the construction of 300 houses. When completed, it will bring DHA housing stock in the Northern Territory to around 2500 dwellings.

The replacement of patrol boats, helicopters and tanks based in the Territory will provide opportunities for local business to compete for maintenance and other contracts, as well as attracting national and international business to the Territory.

**Defence Support Hub**

To further develop the Army’s land operations capability in the north, the 1st Brigade's current defence tank fleet (Leopard tanks) will gradually be replaced from 2007 with 41 re-conditioned US M1A1 Abrams tanks (plus a variety of support vehicles). In support of the arrival of new Abrams tanks, the Government has announced the release of 60 hectares of land close to Robertson Barracks for the development of an industry park that will include a Defence Support Hub to provide a location for maintenance and support contracts to be carried out in the Territory.

**Darwin Naval Base Upgrade**

To accommodate the new Armidale Class patrol boats, additional construction work at HMAS Coonawarra has commenced at an estimated cost of $19 million. This is due for completion by the end of 2006.

**Planned Capital Expenditure**

Looking further ahead, a redevelopment of Robertson Barracks is planned and includes the provision of new and upgraded facilities for training, emergency response, working accommodation and equipment support. Another major potential upgrade is RAAF Darwin Redevelopment Stage Two, which involves upgrades to existing facilities including fuel farms, workshops, a fitness centre, airfield lighting and a new logistics headquarters. Further redevelopment work at RAAF Tindal is also planned. New fuel storage facilities for the RAN and ongoing maintenance of field training areas are also potential areas for future development.
Exercise Pitch Black is a biennial exercise involving the RAAF and air forces from various other countries. In 2004, the exercise involved more than 1500 personnel from Australia, Singapore, Thailand and France, and injected about $7 million into the Northern Territory economy. The next Pitch Black Exercise is planned for July/August 2006 and is likely to have a similar impact on the Territory economy.

Other future exercise activity that will involve Territory based ADF units may include:

- Exercise Albatross Ausindo, to be conducted again in May 2006;
- Exercise Aces North, a combined Australian and US air strike exercise planned for May/June 2006;
- Exercise Southern Frontier, involving United States Marine Corps operating from RAAF Base Tindal and planned for September/October 2006;
- Exercise Predator’s Gallop, developing the 1st Brigade’s key war-fighting capabilities and conducted at major field training areas located in either Queensland or the Northern Territory; and
- Exercise Talisman Sabre 07, a biennial joint exercise that may include some activity at Bradshaw Field Training Area west of Darwin. In 2005 it was conducted in northern Queensland, and involved more than 6000 Australian and 11 000 US personnel from navy, army, air force, marine and special forces units.
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ABARE</td>
<td>Australian Bureau of Agriculture and Resource Economics</td>
</tr>
<tr>
<td>ABC</td>
<td>Australian Broadcasting Corporation</td>
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<td>ABS</td>
<td>Australian Bureau of Statistics</td>
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<td>ACCC</td>
<td>Australian Competition and Consumer Commission</td>
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<td>ADF</td>
<td>Australian Defence Force</td>
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<tr>
<td>ADSL</td>
<td>Asymmetric Digital Subscriber Line</td>
</tr>
<tr>
<td>AFANT</td>
<td>Amateur Fishermans Association of the Northern Territory</td>
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<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<td>APIN</td>
<td>Army Presence in the North</td>
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<td>APTC</td>
<td>Asia Pacific Transport Consortium</td>
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<tr>
<td>ARC</td>
<td>Australian Research Council</td>
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<tr>
<td>ASLAV</td>
<td>Australian Light Armoured Vehicle</td>
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<td>AVO</td>
<td>Australian Valuation Office</td>
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<td>AWE</td>
<td>average weekly earnings</td>
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<tr>
<td>AWFTE</td>
<td>average weekly full-time earnings</td>
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<td>AS</td>
<td>Australian dollar</td>
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<tr>
<td>B</td>
<td>billion</td>
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<tr>
<td>BIITE</td>
<td>Batchelor Institute of Indigenous Tertiary Education</td>
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<tr>
<td>BOO</td>
<td>build-own-operate-transfer</td>
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<td>BSE</td>
<td>bovine spongiform encephalopathy (mad cow disease)</td>
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<td>CAS</td>
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<td>CBD</td>
<td>central business district</td>
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<td>CCIF</td>
<td>Coordinated Communications Infrastructure Fund</td>
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<td>Census Coordination Plan</td>
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<td>Charles Darwin University</td>
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<td>Canberra Investment Corporation</td>
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<td>Consumer Price Index</td>
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<tr>
<td>cpl</td>
<td>cents per litre</td>
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<td>CSC</td>
<td>Computer Sciences Corporation</td>
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<td>CSIRO</td>
<td>Commonwealth Scientific and Industrial Research Organisation</td>
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<td>DBERD</td>
<td>Department of Business, Economic and Regional Development</td>
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<td>DCA</td>
<td>Development Consent Authority</td>
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<td>DEET</td>
<td>Department of Employment, Education and Training</td>
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<td>DEWR</td>
<td>Department of Employment and Workplace Relations</td>
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<td>DHA</td>
<td>Defence Housing Authority</td>
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<td>DIDS</td>
<td>Defence Integrated Distribution System</td>
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<td>e</td>
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<td>EBA</td>
<td>enterprise bargaining agreement</td>
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<td>Electronic Outback Project</td>
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<td>estimated resident population</td>
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<td>ESO</td>
<td>essential services operator</td>
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<td>EU</td>
<td>European Union</td>
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<td>fly in fly out</td>
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<td>FMD</td>
<td>foot and mouth disease</td>
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<td>Abbreviation</td>
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<td>FSGS</td>
<td>Fuel Sales Grant Scheme</td>
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<td>FTE</td>
<td>full-time equivalent</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<td>GEMCO</td>
<td>Groote Eylandt Mining Company</td>
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<td>GOC</td>
<td>government owned corporation</td>
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<td>GSP</td>
<td>gross state product</td>
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<td>GST</td>
<td>goods and services tax</td>
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<td>HCS</td>
<td>Health and Community Services</td>
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<td>HMAS</td>
<td>Her Majesty’s Australian Ship</td>
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<td>HQNORCOM</td>
<td>Headquarters Northern Command</td>
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<td>ICHO</td>
<td>Indigenous Community Housing Organisation</td>
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<td>ICT</td>
<td>information and communications technology</td>
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<td>IDL</td>
<td>interactive distance learning</td>
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<td>IEDTF</td>
<td>Indigenous Economic Development Task Force</td>
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<td>IHANT</td>
<td>Indigenous Housing Authority of the Northern Territory</td>
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<td>ILUA</td>
<td>Indigenous Land Use Agreement</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INTERFET</td>
<td>International Force East Timor</td>
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<tr>
<td>ISDN</td>
<td>Integrated Services Digital Network</td>
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<tr>
<td>IT</td>
<td>information technology</td>
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<tr>
<td>JPDA</td>
<td>Joint Petroleum Development Area</td>
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<td>JLUN</td>
<td>Joint Logistics Unit-North</td>
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<td>LATIS</td>
<td>Learning and Technology in Schools</td>
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<td>LGANT</td>
<td>Local Government Association of the Northern Territory</td>
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<td>LHS</td>
<td>left hand side</td>
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<tr>
<td>LNG</td>
<td>liquefied natural gas</td>
</tr>
<tr>
<td>LPI</td>
<td>Labour Price Index</td>
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<tr>
<td>LPG</td>
<td>liquid petroleum gas</td>
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<tr>
<td>M</td>
<td>million</td>
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<td>MLA</td>
<td>Meat and Livestock Australia</td>
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<td>NCP</td>
<td>National Competition Policy</td>
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<td>NT</td>
<td>Northern Territory</td>
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<td>NTHA</td>
<td>Northern Territory Horticultural Association</td>
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<tr>
<td>NTN</td>
<td>Networking the Nation</td>
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<td>NTPS</td>
<td>Northern Territory Public Service</td>
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<tr>
<td>OCPE</td>
<td>Office of the Commissioner for Public Employment</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OPEC</td>
<td>Organisation of Petroleum Exporting Countries</td>
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<tr>
<td>PAMs</td>
<td>preassembled modules</td>
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<td>PES</td>
<td>Post Enumeration Survey</td>
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<td>RAAF</td>
<td>Royal Australian Air Force</td>
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<td>RAN</td>
<td>Royal Australian Navy</td>
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<td>RBA</td>
<td>Reserve Bank of Australia</td>
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<td>Real Estate Institute of Australia</td>
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<td>REINT</td>
<td>Real Estate Institute of the Northern Territory</td>
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<td>RHS</td>
<td>right hand side</td>
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<tr>
<td>RSE</td>
<td>relative standard error</td>
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<tr>
<td>SARS</td>
<td>Severe Acute Respiratory Syndrome</td>
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<td>SBS</td>
<td>Special Broadcasting Service</td>
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<td>SCTV</td>
<td>Southern Cross Television</td>
</tr>
<tr>
<td>SE</td>
<td>standard error</td>
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<td>Description</td>
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<tr>
<td>SFD</td>
<td>state final demand</td>
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<td>TIO</td>
<td>Territory Insurance Office</td>
</tr>
<tr>
<td>TWI</td>
<td>trade-weighted index</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>ULCEZ</td>
<td>Untimed Local Calls in Extended Zones</td>
</tr>
<tr>
<td>US, USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USD, US$</td>
<td>United States dollar</td>
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<tr>
<td>USO</td>
<td>universal service obligation</td>
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<tr>
<td>VET</td>
<td>vocational education training</td>
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<tr>
<td>WSE</td>
<td>Wage and Salary Earners, public sector series</td>
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Glossary

**Broadband**
An ‘always on’ internet connection with an access speed equal to, or greater than 256 kilobits per second (kbps). Broadband has the capacity to accommodate audio, video and data channels simultaneously.

**Chain Volume Measure**
Chain volume measures provide estimates of real change by factoring in changing price relativities from year to year.

**Confidence Interval**
Confidence intervals represent the likelihood in which a value lies within an identified range of estimates. Confidence intervals are constructed using an estimate and its associated standard error.

**Consumer Price Index**
A general indicator of the prices paid by household consumers for a specific basket of goods and services in one period relative to the cost of the same basket in a base period.

**Constant Dollars**
Used to remove the impact of price changes (inflation) in time series data. In the base year, current prices equal constant prices. To convert current dollar values to constant dollar values, it is necessary to deflate or inflate by the appropriate inflation index number.

**Current Dollars**
A measure that is not adjusted for inflation or changes in the purchasing power of money. Current dollars specify the value at a certain point in time and are not used to compare values over a series of time periods.

**Dwelling Unit**
A self-contained suite of rooms, including cooking and bathing facilities, intended for long-term residential use.

**Employed**
Persons 15 years and older who worked for one hour or more in the week that the resident employment survey was conducted.

**Final Consumption Expenditure**
The value of purchases of goods and services for consumption by households and government. Excludes purchases of fixed assets, intermediate goods or additions to inventories. Intermediate goods are those used as inputs for making other goods.

**Goods and Services Tax**
From 1 July 2000, the Australian Government introduced a 10 per cent tax on goods and services (GST), replacing the previous wholesale sales tax regime. Some items like basic food, health, education and exports are GST free.

**Gross Domestic Product**
The total value of goods and services produced in Australia over the period for final consumption. Intermediate goods, or those used in the production of other goods, are excluded. Gross domestic product can be calculated by either summing total output, total income or total expenditure.

**Gross Fixed Capital Formation**
Additions to the stock of real capital by private and public sectors. Real capital represents assets, except land and natural resources, which are capable of producing income, for example, new and second-hand buildings, plant and equipment, and roads.

**Gross State Product**
Similar to gross domestic product, except that it measures the total value of goods and services produced in a jurisdiction. It is the sum of all income, namely wages, salaries and profits, plus indirect taxes less subsidies. It can also be calculated by measuring expenditure, where it is the sum of state final demand and international and interstate trade, changes in the level of stocks, and a balancing item.
Landbridge
Intermodal transport system of shipping international cargo across a continent, typically by train, from one coast to another.

Labour Force
All persons 15 years and over who are available for work, that is, employed plus unemployed persons actively seeking work. Excludes defence force personnel and non-residents.

Miscellaneous Goods and Services
Includes items such as personal care, jewellery, watches and clocks, and health insurance (sourced from ABS internal documents).

Moving Annual Total
A method used to smooth data. These smoothing methods iron out the short-term fluctuations in the data by averaging observations collected over a 12-month period.

Nominal Terms
Where data is not adjusted for inflation or changes in the purchasing power of money.

NORFORCE
Norforce surveillance unit

Original Terms
Data in original terms is basic, raw data as collected in a survey or a census. It is not adjusted for seasonality, or smoothed to remove irregularities to form a trend series.

Participation Rate
The proportion of the population over 15 years of age who are working or looking for work.

Private Business Investment
Private fixed capital formation for non-residential buildings and structures, machinery and equipment, livestock, intangible fixed assets and ownership transfer costs before depreciation.

Relative Standard Error
The relative standard error is the standard error expressed as a proportion of the estimate. This measure provides an immediate indication of the percentage error likely to have occurred due to sampling.

Sample Error
Sample error is the difference between estimate obtained from a particular sample and the value that would be obtained if the whole population was enumerated under the same procedures.

Seasonally Adjusted Terms
The seasonally adjusted series is a time series of estimates with the effects of normal seasonal variation removed, that is, those fluctuations that exhibit a regular pattern at a particular time of year. Seasonally adjusted terms allow the effects of other non-seasonal influences on the series to be more clearly recognised.

Standard Error
The standard error of an estimate is a measure of the variation in the estimate from all possible samples, and therefore is a measure of the precision with which an estimate from a particular sample approximates the average over all possible samples.

State Accounts
An Australian Bureau of Statistics framework and methodology for measuring economic growth (see gross domestic product, gross state product and state final demand).

State Final Demand
Final consumption expenditure plus gross fixed capital formation in each jurisdiction. It represents the total expenditure on consumption and investment in a jurisdiction.
**Terms of Trade**
The ratio of export prices to import prices. An improvement in the terms of trade occurs when export prices rise relative to import prices. It has a significant influence on the value of a country’s currency.

**Trade-Weighted Index**
Index of weighted average exchange value of one currency against currencies of other countries. Australia’s TWI is an indicator of how the Australian dollar is performing compared to its major trading partners. The composition of the index is determined by Australia’s two-way trade with its major trading partners, and accounts for at least 90 per cent of aggregate trade.

**Trend Terms**
The trend series is used to analyse the underlying behaviour of a series over time. Trend terms are derived by smoothing the seasonally adjusted series so as to reduce the impact of any irregular components of that series.

**Unemployed**
Persons 15 years and older who were not employed during the week of the labour force survey and were actively looking for work in the last four weeks.

**Unemployment Rate**
The number of unemployed persons expressed as a percentage of the labour force.

**Visitor**
Tourism Research Australia defines a visitor as someone who has stayed in a place at least 40 kilometres from their usual place of residence for at least one night, but who is away from home for less than 12 months. An international visitor is defined as an overseas arrival who stayed in Australia for less than 12 months.
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